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Internet censors
Web sites face more surveillance
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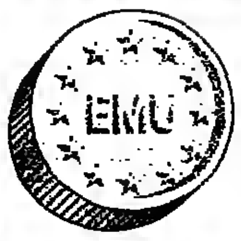

Monetary union
How banks compute who will take part
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They fall ill and self-destruct
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World Business Newspaper http://www.FT.com TUESDAY APRIL 22 1997

IMF wants further reforms to boost world economy

World economic health will depend on continued reform of labour, trade and capital markets, the International Monetary Fund will warn this week. In its biannual World Economic Outlook, out tomorrow, the IMF will paint a robust picture of prospects for world economic growth on the back of the globalisation of business and rapid technological change. Page 18

'Mad cow' spending probed: The National Audit Office in London and the European Court of Auditors are separately investigating UK government spending on the BSE crisis. The probe by the audit office, parliament's public spending watchdog, follows opposition party complaints that big abattoirs made large profits from government payments for the destruction of all cattle aged more than 30 months. Page 10

$275m loan for Brazil: International banks are lending $275m to Brazil's National Development Bank, marking the completion of the first medium or long-term loan by any borrower from Brazil since the beginning of the Latin American debt crisis 15 years ago. Page 19

Gujral pledges economic reforms: India's new prime minister, I K Gujral, used his inaugural address to promise that his United Front government would implement "deepening and widening" economic reforms. Page 6

France to sign deal with Cuba: France, one of Cuba's biggest trading partners in the European Union, this week becomes the latest EU state to sign a bilateral investment protection accord with the communist-ruled island. Page 8

Chinese troops enter Hong Kong

An advance guard of troops from China's People's Liberation Army crossed the Chinese border and took up position in Hong Kong. Major General Zhou Borong (left, with senior Chinese diplomat Chen Zuo'er) and his 40-strong unit are the first PLA troops stationed in the territory. Page 18

Record interest in Repsol sale: Spanish oil, gas and chemicals conglomerate Repsol reported record domestic demand for the Pta170bn ($1.2bn) sale of the state's remaining 10 per cent stake. Page 19

Bomb threats halt London: Bomb threats severely disrupted rail, road and air links in London and south-east England as what is presumed to be part of the Irish Republican Army pre-election campaign. It was estimated by one business organisation to have cost British industry at least £20m ($32.4m). Page 10. Editorial comment, Page 17

Albania welcomes Italians: Italian troops landed in the southern Albanian port of Vlore, moving into rebel-held territory for the first time since an eight-nation European force began arriving in the country last week to safeguard aid deliveries and help restore law and order. More than 1,000 people and rebel leaders flocked to the dockside to greet the Italians. Page 2

EU accountancy law changes: The European Commission is likely to alter European Union law to allow companies to account for derivatives under the new global financial reporting code being developed by the International Accounting Standards Committee. Page 3

German M3 growth slows: German money supply growth slowed for a third month in March but the rate of expansion was still well above this year's 3.5-6.5 per cent "target corridor" set by the Bundesbank. Page 2

MS drug fails trials: The US biotech industry suffered a setback when Autoimmune of Boston said its multiple sclerosis treatment, Myloral, had performed no better than a placebo in crucial trials. Page 19

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,715.19	(+11.64)
NASDAQ Composite	1,218.25	(-4.32)
Europe and Far East		
CAC40	2,522.67	(-24.89)
DAX	3,347.58	(+3.19)
FTSE 100	4,328.7	(+18.2)
Nikkei	18,551.66	(+199.52)

US LUNCHTIME RATES

Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.277%
Long Bond	94⅜
Yield	7.068%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(6¼%)
UK: 10 yr Gilt	97⅝	(97½)
France: 10 yr OAT	97.62	(98.07)
Germany: 10 yr Bund	100.78	(101.15)
Japan: 10 yr JGB	106.0611	(106.0211)

NORTH SEA OIL (Argus)

Brent Dated	$17.88	(17.315)

GOLD

New York: Comex		
Apr	$343.3	(341.5)
London:		
close	$342.55	(341.7)

DOLLAR

New York: lunchtime		
£	1.6363	
DM	1.6975	
FFr	5.729	
SFr	1.4415	
Y	125.475	
London:		
£	1.6348	(1.6313)
DM	1.7023	(1.7162)
FFr	5.7487	(5.78)
SFr	1.4493	(1.4605)
Y	125.53	(125.975)
Tokyo close:	Y 125.8	

STERLING

DM	2.7829	(2.7997)

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Chirac calls sudden election

French leader seeks new backing to tackle reform but risks voters' anger

By David Buchan in Paris

French president Jacques Chirac last night called a snap parliamentary election for next month, in the hope of securing a new five-year majority to back domestic reforms and ready the country for entry into European monetary union.

Mr Chirac said the country needed "a new élan" to carry out vital reforms at home and to "prepare for the move to the single currency ... which will be the equal of the dollar and the yen".

In his 15-minute televised national address, Mr Chirac said that France needed "a [parliamentary] majority with the strength and the longevity to meet the challenges of today". The two rounds of the election will be on May 25 and June 1.

Mr Chirac mentioned no parties by name in his speech. But he made clear that he wanted voters to return to power the current ruling coalition of his own RPR Gaullists with their UDF centre-right allies.

In a patent reference to the leftwing opposition, he dismissed the "archaic" solutions of those who wanted "always more state, always more spending, always more taxes".

He admitted that in his 1995 presidential campaign he had pledged not to dissolve the parliament early. But he said he now believed it was in the national interest to "give the word to the people again".

Latest opinion polls show Mr Chirac's centre-right government is likely to win. Freed from short-term electoral constraints, the government would then be able to impose fresh budget austerity measures this summer or autumn.

Letting the current parliament, elected in 1993, run its term would have meant an election next March, just before the European Union decides which of its members qualify for monetary union.

But Mr Chirac's move, taken essentially for European reasons, will become a high-risk gamble if French voters decide to vent their frustration with the country's record 12.8 per cent unemployment rate on the government.

On being appointed prime minister in 1995 – when the jobless rate was 11.7 per cent – Mr Alain Juppé said he expected voters to judge him and his government on their record on

Continued on Page 18

Harder times in prospect, Page 2; Lex, Page 18

French president Jacques Chirac (right) with Philippe Seguin, president of the country's National Assembly, after their meeting yesterday Picture: AP

US urges Iraq not to defy no-fly zone

Saddam to send helicopters for pilgrims

By Roula Khalaf in London

The White House yesterday urged Iraq to reconsider a decision to send helicopters to pick up Iraqi pilgrims from the Saudi border, defying the southern no-fly zone patrolled by US and allied aircraft.

Iraq warned the US not to intervene but Mr Mike McCurry, the White House spokesman, said: "We will monitor carefully any potential violations of the no-fly zone ... We will respond appropriately but we're not going to shoot down civilian helicopters."

He said the US recognised the significance of the haj, the annual pilgrimage to Mecca, "but there are other means and procedures available for the transportation of haj pilgrims".

The Iraqi challenge marks another attempt by President Saddam Hussein to provoke the US by defying bans imposed after the Gulf war. It follows Iraq's dispatch earlier this month of an aircraft carrying pilgrims to Mecca. It flew over Jordan and did not enter the no-fly zone.

Mr William Cohen, the US defence secretary, said Baghdad could not arbitrarily breach the no-fly zone rules, but the US could be receptive to exemptions on humanitarian grounds if Iraq were to request permission.

"There are rules that have to be complied with. There are requests for permission for exemptions. This may be one of them. But they are not in any position to be simply flaunting the rules on their terms," he said.

The US tried to secure a condemnation of the earlier flight at the United Nations Security Council but members could not agree whether civilian flights constituted a violation of the sanctions imposed on Iraq. The council told Iraq to seek consent from the sanctions committee before attempting further flights.

But instead of sending the civilian aircraft back to Mecca to pick up the pilgrims – "practical reasons" were cited by the official Iraqi News agency as preventing this – Mr Saddam has apparently decided to test the ban on the southern and northern no-fly zones.

This ban does not fall under UN sanctions but was imposed by the US and its allies to protect the Iraqi Shia in the south and Kurds in the north from attacks. The US extended the southern no-fly zone last September following Mr Saddam's incursion into the Kurdish north. Mr Saddam has always considered the zones illegitimate.

The UK Foreign Office said it respected the obligation of Moslems to perform the haj but if the reports were correct "this act looks like a characteristic attempt by Saddam Hussein to exploit religion for political purposes".

Mr Saddam has been trying to prove to Iraqis that sanctions are eroding, despite the hardening of the US position on Iraq. Mrs Madeleine Albright, the US secretary of state, made it clear in a speech last month that sanctions will remain as long as Mr Saddam is in power.

Japanese store chiefs pay $1.3m damages in bribe case

By Gillian Tett in Tokyo

Investors in Japan's oldest department store group have for the first time forced company directors to accept personal financial responsibility for bribing gangsters to control shareholders' meetings.

In the latest development in the gangster, or *sokaiya*, scandal, the directors of Takashimaya agreed out of court to pay Y170m ($1.3m) in damages to the company.

The move is likely to focus attention on the issue of shareholders' rights in Japan, where there have been a number of high-profile corporate governance scandals in recent months.

Last month Japan's largest securities house, Nomura, admitted that it had made payments to corporate gangsters to ensure smooth proceedings at its shareholder meetings. The country's other three large securities houses are also being investigated by the government for similar links.

The lawyers that won the case against Takashimaya are also backing a separate legal action by Sumitomo Corporation's shareholders against its directors for corporate negligence following the company's recent $2.6bn losses to a copper trading scandal.

Mr Tadashi Matsumaru, one of the Osaka-based lawyers involved to both cases, said: "This outcome of the Takashimaya case is epoch-making – we are delighted because it shows that shareholders have managed to change corporate attitudes.

"This is a success not just because it has forced the directors to pay compensation [for illegal payments] but also because it has thrown light on the shareholders' meeting issue, which is one of the touchiest parts of corporate management."

The case against Takashimaya, a prestigious retailer which had sales of Y1,065bn last year, centred around pay-

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Retevisión sale attracts two more potential bidders

By Tom Burns in Madrid, Paul Betts in Milan and Ralph Atkins in Bonn

The realignment in global telecommunications alliances took a further turn yesterday when two more potential bidders emerged for Spain's Retevisión – soon to be the country's second-largest operator.

Stet, the Italian telecoms company, joined a consortium headed by Endesa, the dominant power group in Spain, and Unión Fenosa, the third-ranked domestic electricity company. They will bid against a consortium including France Telecom and Deutsche Telekom. Germany's Mannesmann also expressed interest.

The confused state of allegiances in the world market was highlighted by the analysts' view that Mannesmann's late entry had surprised Stet and would force it to bid with Mannesmann. Mannesmann has links with Unisource, the global telecoms alliance, and Stet with AT&T, Unisource's strategic US partner.

Yesterday's scramble for a foothold in Spain follows the link-up between Telefónica, the main Spanish privatised telecoms group, and the Concert alliance of British Telecommunications and MCI of the US. That deal spelt the end of the Spanish operator's involvement in Unisource and upset the Latin American strategy of AT&T.

> Two of Deutsche Telekom's new domestic competitors have appealed to the German government over the former state monopoly's plans to connect them to its network. Mr Ulf Bohla, chairman of o.tel.o, said Deutsche Telekom "wants to abuse its market power" to prevent it offering telephone clients a better service and more favourable prices. Report, page 2

The Spanish government has set a minimum price tag of Pta45.6bn ($314.48m) for this summer's sale of 60 per cent of Retevisión, the state television transmitter. The group that acquires Retevisión will have to subscribe to a Pta25.3bn rights issue after the purchase to take its stake to 70 per cent.

Stet is understood to have offered Endesa and Unión Fenosa some Pta60bn for their optic-fibre networks. The cash offer, according to sources close to the bidding process, represented "a very determined attempt" by the Italian operator to enter the Spanish market.

France Telecom and Deutsche Telekom, together with Sprint, their US partner in the Global One telecoms alliance, are part of a consortium led by Banco Central Hispano, the retail banking group, and backed by Renfe, the national railways company which also has an extensive fibre-optic network.

The French operator and BCH have been planning their bid since the beginning of the year and wanted to link with the electricity utilities in a single group. However, Stet's aggressive interest, together with the power groups' determination to maximise their assets in the telecoms sector, has cut across existing bonds. BCH is a shareholder in both utilities and all three form the core shareholder group in Airtel, the mobile operator which competes with Telefónica in the cellular sector.

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Crédit Lyonnais to get no more aid

By Andrew Jack in Paris

The French government is putting the final touches to a privatisation plan for Crédit Lyonnais, the troubled state-owned banking group, which will rule out any fresb injection of taxpayers' money.

Officiala are expected within days to submit the long-awaited proposals to the European Union competition authorities for approval. This should lead to the sale of the bank in the second half of 1998.

The government bas agreed to demands from Brussels that Crédit Lyonnais sell most of its European retall banking operations outside France, sucb as its subsidiaries in Portugal, Spain, Italy and Germany.

In exchange, it is maintaining its demand for the waiving of the penalising loan it was forced to make at below-market interest rates. The loan, part of its original 1995 restructuring, was to finance the transfer for sale of more tban FFr200bn ($35bn) in assets to a state-run company.

In spite of calls from Mr Jean Peyrelevade, the bank'a chairman, for an additional recapitalisation of more than FFr10bn before the sale to improve its solvency ratio, Mr Jean Arthuis, the economics and finance minister, has ruled out any new injection of funds.

However, the extra costs to the French taxpayer of Crédit Lyonnais abandoning its loan bas been estimated at as much as FFr15bn-FFr20bn, on top of FFr49bn in aid already approved by Brussels in relation to the previous restrncturing operations.

Crédit Lyonnais continues to argue that the sale of other activities – including its services to large business clients outside France, and its market operations in the US and Asia – would make its survival untenable.

Mr Peyrelevade hinted last month that he would resign if these businesses were sacrificed and he was unable to generate operating profits from non-French activities of FFr8bn-FFr9bn. However, he has accelerated the sales of European operations in recent weeks, announcing in March that Woodcbester, its Irish-based specialist consumer credit arm, was seeking a buyer, and earlier this month agreeing the sale of its Greek subsidiary.

Submission of the privatisation plan has already been considerably delayed after Brussels agreed a series of "emergency" interim measures late last year. Mr Arthuis and Mr Karel Van Miert, EU competition commissioner, agreed to delay the plan until the latest detailed financial information from the bank's 1996 results could be included. That showed net profits of FFr202m.

Crédit Lyonnais atressed last night that the plan had not yet been finalised, and "formally denied" the sale of its Swiss, Belgian and Luxembourg subsidiaries.

Rivals challenge Deutsche Telekom

By Ralph Atkins in Bonn

Two of Dentsche Telekom's new competitors have appealed to the German government over the former state monopoly's proposed terms for connecting them to its network.

Mannesmann Arcor – owned by Deutsche Bahn, the German railway operator, and a consortium led by the Mannesmann industrial conglomerate – and o.tel.o –the telecommunications company set up by Veba and RWE, two large industrial conglomerates – believe Deutsche Telekom is exploiting its dominant position unfairly.

Mr Ulf Bohla, chairman of o.tel.o, said Dentsche Telekom – Europe's largest telecommunications group – "wants to abuse its market power" to prevent o.tel.o offering customers a better service and lower prices.

The dispnte highlights worries over the speed at which barriers to competition are being dismantled. It follows similar rows over "interconnection" agreements elsewhere in European Union markets, which are due to liberalise public voice services from January 1998. Interconnection agreements are particularly important to new market entrants which rely on former state monopolies to provide connections with customers.

Deutsche Telekom said it was prepared to continne negotiations and regretted the steps taken by Mannesmann and o.tel.o. It suggested similarities between the two groups' announcements pointed to a joint effort against Deutsche Telekom.

Under Germany's telecommunications act of last year, the post and telecommunications ministry now has 10 weeks to make a ruling on the interconnection arrangements. Until public voice services are liberalised next January, the ministry is acting as telecommunications regulator. The ministry last night said it had not yet received formal notification of the complaints.

Mannesmann Arcor, o.tel.o, and Viag Interkom – a venture between British Telecommunications and Viag, the Munich-based conglomerate – have threatened in the past to take their case to the European Commission if necessary.

However the Bonn telecommunications ministry said yesterday that the next step, if they remain dissatisfied with a government hrokered deal, would be to take action in German courts.

Meanwhile, ministry officials played down speculation that the US government might take action against Germany under the auspices of the World Trade Organisation. Mr Wolfgang Bötsch, post and telecommunications minister, was recently in Washington attempting to soothe anxieties raised by potential US entrants into the German market.

However US trade officials remain concerned that Germany will not be able to meet on schedule promises made in February to open its telecommunications market.

Haughey named in secret gifts row

By John Murray Brown in Dublin

Fianna Fail's chances of winning this year's Irish general election were dealt a potentially severe blow yesterday after a leading Dublin businessman named the party's former leader and prime minister Mr Charles Haughey as recipient of I£1.3m (US$2m) in secret donations.

Giving evidence before the government investigation into political donations, Mr Ben Dunne, an beir to the Dunnes Stores supermarket cbain, said he had helped Mr Haughey out of financial difficulties, paying over I£1.1m and three separate payments totalling I£210,000, all through intermedlaries using foreign bank accounts between 1987 and 1989.

Although there was then no compunction on politicians to declare their financial interests, the latest revelations could clearly now damage Mr Bertie Ahern, the current Fianna Fail leader, who has warned that if proven he might expel Mr Haughey from the party.

Mr Haughey was prime minister four times between 1979 and 1992 – when he was ousted as Fianna Fail leader after admitting tapping the telephones of two journalists during a government scandal in 1982. His links with Mr Dunne will come as little surprise to most Irish and he remains a hugely popular figure, in spite of an ostentatious lifestyle which includes owning a Georgian mansion and his own island off the coast of Kerry. He has so far declined to comment on the allegations.

The Ben Dunne story has already claimed one political scalp – Fine Gael transport minister, Mr Michael Lowry, who admitted receiving I£300,000 to extend his Tipperary mansion – work for which he did not have planning permission.

The revelations only emerged after Mrs Margaret Heffernan, Mr Dunne's sister and arch rival, enlisted accountants Price Waterhouse to trace the amounts. Mr Dunne has earlier been forced to sell his shares in the company, after being found guilty of drug offences in the US in 1992.

Although Prime minister John Bruton has yet to announce an election date, all the parties are already campaigning and Fianna Fail has accused the government of seeking to use the tribunal for political advantage. Mr Ahern, speaking at his party'a annual convention over the weekend, called for a delay in the election to allow the investigation to conclude its work.

The latest polls suggest Fianna Fail could win enough seats to form a government with the small right of centre Progressive Democrats of Mrs Mary Harney. However the ruling Fine Gael-led coalition is counting on harnessing the feel-good factor with the economy growing at 7 per cent. Moreover the government is also credited with a successful management of Ireland's recent EU presidency.

Harder times in prospect for France

Remaining on course for Emu will be difficult, writes David Buchan

France's centre-right government, if returned to power, would make further cuts in public spending, but would not raise taxes, Mr Jean Arthuis, finance minister, said yesterday on the eve of the dissolution of parliament for new elections.

He was speaking amid speculation that President Jacques Chirac's snap poll is a prelude to further deficit-cutting measures preparing France for economic and monetary union, on the ground that it is easier to introduce more austerity after, rather than before, an election.

This would normally be held next spring if the legislature were to have run its full five-year term.

Mr Arthuis, whose words inevitably have to be weighed against the possibility that he might not be in a new centre-right government, said "there is no tax increase foreseen" by the Treasury at present.

A new term would give the coalition "five years to broaden structural reforms of the state, to improve public finances, with less subsidies and less taxes", be said.

Mr Arthuis and Mr Jacques Barrot, the social affairs minister, who are effectively in charge of the two great chunks of French public spending – the central budget and welfare spending, at around FFr1,500bn ($260bn) each – have both insisted France is on target to bring this year's overall deficit down to 3 per cent of national output, from 4.1 per cent last year.

French finance minister Jean Arthuis unveils the French sides of the EU's planned euro coins. The coins, which will have an EU and a national side, will be introdnced in 2002 Reuter

They have refused to give any credence to a Treasury internal worst-case scenario nf a 3.8 per cent deficit this year.

The official prediction that growth in tbe economy will rise to 2.3 per cent this year is largely confirmed by private forecasters and, yesterday, the finance ministry announced that value added tax receipts had risen by 4 per cent in the year to February.

But Mr Artbuis has already frozen FFr10bn of the expenditure voted for 1997, and the deficit on welfare spending is running well above its FFr30bn target for this year.

Whether a new French government formally announces an Emu-related mini-budget for 1997, as Italy and Austria have done, it faces considerable difficulty in keeping its 1998 deficit to the required 3 per cent. Next year, it will not have the one-off FFr37.5bn pension-related payment from France Télécom that is being used to help plug this year's budgetary hole. Virtually regardless of any further correction to the 1997 budget, a new government will still have tn impose more deficit-cutting measures wben it announces its draft 1998 budget in September.

Mr Lionel Jospin, the Socialist opposition leader, geared up on Sunday to make this an issue, saying that "If it is necessary to impose a new austerity cure on tbe country, then my reply is No – No to sticking absolutely to the 3 per cent criterion".

Heavyweights on the right wings of both the RPR and UDF ruling coalition partners have urged Mr Chirac to launch the new campaign by giving an unambiguous free market, liberal tilt to government policy. Both the president and his prime minister, Mr Alain Juppé, are resisting such pressure, arguing that the centre-right could go down to defeat if the leftwing opposition were able to label it as "ultra-liberal".

But the government clearly hopes the snap election will not wreck the stock market flotation of France Télécom, slated for late May. Mr Artbuis said yesterday there was no reason for this privatisation not to go ahead according to plan.

That depends in part, however, on the state of the bourse, where the CAC-40 index yesterday closed 1 per cent down on the day, after a 2.69 per cent fall last Friday on the first dissolution rumours.

Brussels to amend accountancy law

By Jim Kelly, Accountancy Correspondent, in London

The European Commission is likely to alter EU law to allow companies to account for derivatives under the new global financial reporting code being developed by the International Accounting Standards Committee.

In a speecb to be delivered last night Mr Mario Monti, the commissioner responsible for the single market, said existing directives could no longer be "bent" to fit the new code heing forged for cross-border listings. His announcement that amendments to existing law would be examined signals Brussels' determination to make sure big European companies can gain easy access to capital on the world's markets by using a standardised set of accounts.

"The Commission has always made clear that it would propose changes if and when necessary. That time has come faster than we expected," he was due to tell the Institute of Chartered Accountants in England and Wales.

"Developments are taking place within the IASC that will make it impossible for European companies to comply with both international accounting standards and the directives."

The Commission's policy is to keep EU law and the developing world code in line. It had said this could be achieved without changes to EU law in the short term. But next year the IASC code will be presented to IOSCO – the club of world stock market regulators – for endorsement. If agreed it would allow all big companies to list on leading markets with the same set of accounts.

The Commission – which works closely with the IASC – believes the current Fourth Directive would pose an impossible hurdle to companies wanting to follow the international code as it is based on the historic cost principle.

Accounting for derivatives and financial instruments – which should form part of the code endorsed by IOSCO – is likely to some extent to involve showing them in accounts on a "mark to market" basis – reflecting their current valne. Directives affecting the insurance and banking sectors already incorporate the principle of current values for assets.

Changes will also have to be made to the Fourth Directive to allow for the introduction of the euro – as it will alter the thresholds governing the definition of small- to medium-sized enterprises (SMEs).

Mr Monti also signalled that the Fourth Directive should be made more "flexible" to allow for further rapid changes in the development of a global code for financial reporting. "The limits of sucb flexibility would of course need to be closely defined," ha said.

The commissioner also told the profession that unless progress was made towards establishing a single market for accountancy and auditing within the EU a special directive might be needed to enforce one.

But he said be saw no reason why the current rules should not apply "fully to trade in audit services". He hoped that further progress towards setting common EU audit standards would he achieved by self-regulation.

But a new body – made up of Commission and government representatives – would monitor the profession's progress.

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Vlore gives Italian force an enthusiastic welcome

By Guy Dinmore in Vlore, Albania

Italian troops yesterday landed in the southern port of Vlore, moving into rebel-held territory for the first time since an eight-nation European force began arriving in Albania last week to safeguard aid deliveries and help restore law and order.

More than 1,000 people and rebel leaders flocked to the dockside to greet the Italians. Some handed paper flowers to a tank commander at the gate and chanted the name of Italy's prime minister, Mr Romano Prodi, who was given an enthusiastic welcome when he visited Vlore on April 13.

More hostile however, was a local leader, Mr Sultan Zani, who drove away from the port area in his black BMW with an angry screech of tyres after the Italian force commander refused to meet him. The Adriatic town was at the heart of a mass insurrection that erupted against President Sali Berisha in February.

The insurrection came after many people were robbed of their savings with the collapse of several fraudulent pyramid finance schemes. Official buildings and banks were looted and at night the town still resonods to the crackle of gunfire.

"We've been happy here all our lives and Berisha has sent the Italians and Greeks to control us," said Mr Zani, wearing a camouflage flak-jacket and carrying a Kalashnikov rifle. "If they are coming to support Berisha they will be in war with all the Albanian people," be declared in a hotel just outside the port, surrounded by abont 20 heavily-armed men.

The Italian force, brought in by five ships inclnding a cruiser, totalled abont 570 marines, infantry and Carabinieri police, as well as several armoured vehicles.

About 100 Greek troops came by road from government-held territory to the north and took control of a disused military airport near Vlore.

The commander of the Italian force, General Girolamo Giglio, met Mr Albert Shyti, the leader of the rebel Committee for Public Salvation which controls Vlore. The rebel committee asked Gen Giglio to restore the ferry line between Vlore and Italy's sonth-eastern port of Brindisi.

Gen Giglio said he would deal only with the rebel committee and the local government and police, not with mafia leaders.

This was seen as a clear reference to one local leader who shook the hand of an Italian colonel when he came to reconnoitre the port last week, an event that provoked a public outcry in Italy.

Italian Carabinieri will go on joint patrols with local police. They are under orders not to try to disarm the well armed people of Vlore but may shoot in self-defence.

The Italian-led eight-nation force will stay in Albania for at least three months and intends to play a direct role in safeguarding parliamentary elections due to be held by the end of June.

EUROPEAN NEWS DIGEST

Growth set to slow in east

Economic prospects are gloomy this year for much of eastern Europe and the former Soviet Union, according to the United Nations Economic Commission for Europe. Its latest annual survey* predicts slowing growth in eastern Europe and a probable further drop in output in Russia and Ukraine, though it expects recovery to continue in most other former Soviet countries.

While the Russian government and some outside observers believe there will be a modest outcome of 0-2 per cent this year, most Russian economists "think that even zero growth – bringing the seven-year decline to an end – might be the best to hope for", according to the report.

In eastern Europe the report highlights the increasingly divergent economic outlook. The fast-reforming countries of central Europe are experiencing steady growth, fuelled last year by a revival in domestic consumption and investment. But, in Bulgaria, Romania, Albania and the countries of the former Yugoslavia (excluding Slovenia), the process of transition to a market-based economy has proved fragile.

The difficult outlook for south-east Europe, in addition to some deceleration in economic activity in central Europe, will reduce average growth in the region as a whole to about 3.5 per cent this year, the ECE predicts. This compares with 4 per cent in 1996 and 5.5 per cent in 1995. *Frances Williams, Geneva*

**Economic Survey of Europe in 1996-97, available in May from UN Sales Offices*

Swedish PM rebuffs threat

Sweden's minority Social Democratic government yesterday brushed off a threat from the Centre party, on which it heavily relies for support, to suspend co-operation if the SDP attempts to join the planned European single currency. Centre's demand for a referendum on the issue was "not on the agenda", said Mr Göran Persson, the prime minister.

The SDP is to take a decision in September over Emu entry. However, the Centre's support would not be crucial for Emu participation because the main opposition Moderate party is in favour of joining.

While public opinion has been running strongly against early Emu entry, an opinion poll published yesterday suggested 52 per cent of voters wanted to join eventually; 37 per cent were opposed. *Greg McIvor, Stockholm*

Yeltsin former aide arrested

Mr Sergei Stankevich, a former aide to President Boris Yeltsin, was arrested yesterday in Poland after Russian authorities issued an international warrant for his arrest. Mr Stankevich, who advised Mr Yeltsin on political issues and served as deputy mayor of Moscow during the first heady years of reform, is accused of accepting a $10,000 bribe in 1992.

The allegations against him were part of a wave of revelations which led to widespread public cynicism about democratic reforms and their architects. Mr Stankevich avoided prosecution because of the immunity he enjoyed as an MP, but he lost his seat in the 1995 parliamentary elections. *Chrystia Freeland, Moscow*

Kohl delays equity measure

Chancellor Helmut Kohl has unexpectedly delayed cabinet consideration of a bill to reform the law on joint stock companies because Mr Norbert Blüm, his labour minister, fears it could reduce the power of trade unions on company supervisory boards. Officials said the bill, originally due for cabinet approval this month, would probably be considered before the summer holiday period, although this will leave little time for it to clear parliament and take effect as planned at the start of next year.

The legislation contains numerous measures to help increase the attraction of equity finance in Germany, including steps to make company boards more professional and efficient, enhance the influence of shareholders at annual meetings and make it possible for companies to buy up to 10 per cent of their own shares.

However, Mr Blüm has objected to a provision to rednce the size of supervisory boards, in which shareholders' and workers' representatives have equal representation, from 20 to 12 persons. *Peter Norman, Bonn*

Romanian banks lose licences

Romania, which has embarked upon a radical reform programme, yesterday withdrew the licences of two long-troubled private banks that had been propped up at great cost under the former Communist government. A central bank statement said Credit Bank and Dacia Felix, the latter once Romania's biggest private bank, could "no longer offer guarantees as regards their obligations to creditors and can no longer ensure the safety of the funds entrusted to them". The banks had been awaiting court decisions on whether they sbould be reorganised or liquidated. *Anatol Lieven, Budapest*

ECONOMIC WATCH

German M3 growth slows

German money supply growth slowed for a third month in March but the rate of expansion was still well above this year's 3.5-6.5 per cent "target corridor" set by the Bundesbank. The bank reported yesterday that M3, its money supply measure, was a seasonally adjusted 2.7 per cent higher in March than the average in the final quarter of 1996.

The annualised rate of expansion, used by the Bundesbank for comparison with the target, slowed to 8.3 per cent from 9.1 per cent in February and 11.7 per cent in January compared with the average of the 1996 fourth quarter. For the first time this year there was little divergence in annualised M3 growth compared with the final 1995 quarter: this increased by 8.1 per cent in March after 8.3 per cent in February and 8.6 per cent in January.

The Bundesbank said March M3 growth reflected a rapid expansion in public borrowing and a slowdown in bond issues. These factors were offset by reduced lending to the private sector and increased transfers of funds abroad by German businesses. *Peter Norman, Bonn*

■ Producer prices in the whole of Germany were unchanged in March from February and rose 0.7 per cent year-on-year, the Federal Statistics Office said.

EU battle over deficit forecast

By Lionel Barber in Brussels

Ms Emma Bonino, the outspoken Italian commissioner, yesterday attacked EU growth forecasts for 1997 as "unbalanced" because they reportedly suggest Italy will fail to qualify for economic and monetary union.

Ms Bonino's intervention underlines the sensitivity of the European Commission's forecasts, due out tomorrow. It follows lobbying by other Italian and Greek officials in Brussels to manipulate the figures, a Commission official said.

According to widespread leaks, the Commission forecasts will show that only Italy and Greece among the 15 EU member states are likely to fall short of the Maastricht budget deficit target of 3 per cent of gross domestic product. The Commission also will downgrade its earlier forecasts for Italian growth this year.

The thrust of the Commission's forecasts tallies with the expectations of financial markets, but Italy's centre-left government led by Mr Romano Prodi is sensitive about having its chances of meeting the Emu criteria written off prematurely.

Ms Bonino said in Rome yesterday that she was not convinced by the sums in the report. These are based on work by professional economists in DG 2, the directorate headed by Mr Yves-Thibault de Silguy, the French monetary affairs commissioner.

"There's a battle under way," said Ms Bonino, a former Radical MEP whose Brussels portfolio includes consumer policy, fish and disaster relief. She added: "Just because I am against de Silguy does not mean I am in favour of Prodi."

An aide to Mr de Silguy described Ms Bonino's remarks as "over the top" on the grounds that the twice yearly forecasts were not the subject of negotiation or Brussels-style haggling. He added: "She is not capable of stating such things and therefore Mr de Silguy is calm."

Another official said Ms Bonino – a darling of the media with a knack for stirring controversy – had committed an error of judgment. In effect, she had sided with the Italian government rather than waiting to see the Commission forecasts.

"If the figures for Italy show a 3.2 per cent budget deficit for 1997, why should it be the end of Mr Prodi?" the official said. "He has been remarkably courageous so why is it impossible to do the little bit extra to ensure Italy qualifies?"

EU leaders will decide which countries qualify in early May 1998 based on the outturn for 1997 and whether the performance is sustainable. The Maastricht criteria cover inflation, government debt, interest rates, and exchange rate stability as well as public deficits.

Tomorrow Mr de Silguy will also present the Commission's macroeconomic guidelines for the EU.

Bonino: accused of going over the top in defending Italy's chances of meeting Maastricht criteria

Shake-out likely for chemicals industry

By Jenny Luesby

A single currency could herald a shake-out in Europe's chemicals industry, according to studies by management consultants KPMG, and by ICI.

The industry, one of the region's most export-oriented sectors, is strongly in favour of the euro, which it believes will make its earnings more stable and improve its competitiveness.

However, most studies suggest the transition will not be without pain.

On the plus side, a working party set up by the German Federation of Chemical Industries has concluded that a single currency would "permanently improve" the competitiveness of the industry by ironing out foreign earnings fluctuations.

In spring 1995 German chemical companies' sales were down 5 per cent on the year before because of exchange rate movements. Removing such swings would create a better basis for investment in such a capital intensive industry where "market exit involves considerable losses", said the federation.

The Chemical Industries Association in the UK also supports the euro. Mr Elliot Finer, director-general, says it is essential that the UK be part of a single currency. British chemical companies expect profits to fall 10 per cent this year because of the strength of sterling.

However, the studies also highlight the challenges posed by the euro.

Both KPMG and ICI believe the euro will bring faster restructuring within the industry.

"Overcapacity is the main issue for Europe's chemicals industry. This is being exacerbated by the loss of export markets in Asia and inefficient plant sizes which keep costs high," says Mr Jon Symonds, head of KPMG's chemicals and pharmaceuticals business unit in the UK.

"These factors are already driving a restructuring of the industry. The euro will mean an even faster shake-out of inefficient capacity. Companies will no longer be able to hide behind national boundaries. The euro will accelerate the restructuring."

Euro will expose inefficient plants to greater competition and hasten restructuring

ICI has similar expectations. "Business inefficiencies will be exposed," it says. At the same time market segmentation will be diminished, with chemical companies that previously supplied 15 national markets, now feeding one "larger single domestic market".

The British chemicals company has told its business managers: "You will either have to scale up your activities and marketing operations to service your newly defined large domestic market (possibly through plant or location rationalisation), or redefine and refocus yourself as a niche supplier of specialised products in that larger market."

This direction comes from the group's newly formed single currency steering committee.

The committee emphasised the importance of the increased price transparency that will result from the new currency. Mr Michael Littlechild, partner in charge of KPMG's Emu unit, explains: "Most bulk chemicals are keenly internationally priced, in D-Marks or dollars. But there are some appreciable price differences between countries in speciality chemicals." ICI says the euro "will inevitably lead to a convergence of prices, almost certainly at the low end of the range". As a result, "there will be little or no room for any increase in prices until after a period of stability and subsequent market adjustment."

Mr Symonds of KPMG suggests that the price falls in chemicals are likely to be most marked in southern Europe, with "agrochemicals likely to be the product range that is hardest hit".

At the same time, the industry will suffer as EU countries take economic measures aimed at meeting the convergence criteria for monetary union, says Mr Littlechilds. These will be felt most sharply in the building industry, as public works are constrained by tighter budgets.

The chemicals industry typically accounts for 40 per cent of building materials by value. EVC, Europe's largest PVC producer, has already pointed to the Emu criteria as a cause of declining demand.

The fine art of Emu forecasting

Wolfgang Münchau explains the flaws in calculations about each country's chance of taking part in monetary union

Preparing for Emu

Given the uncertainty about when European monetary union might start and which countries might join several banks have produced probability calculators that claim to reflect market expectations of individual countries' chances of taking part.

The trouble is the calculators often produce contradictory results. Some central banks are concerned because the published indicators sometimes indicate that their countries have little chance of qualifying for Emu.

In an internal memo, the European Monetary Institute (EMI), the forerunner of the future European Central Bank, has compared the various methods used to calculate the probabilities. It concludes with a warning: "It is often not quite appreciated that these estimates are not pure and undisputed extracts from bond market data," it said.

The EMI warned that users should be well aware of the sometimes heroic assumptions that go into these calculations.

This assessment applies to all of them: J P Morgan's Emu Calculator, printed monthly in the *Financial Times*; a Commerzbank calculator, which appears in *Borsenzeitung*, the German financial daily; an index by Credito Italiano in *Corriere della Sera*; and several other banks, including Paribas, the French bank, which produce models for their clients.

The graphic below shows that all indicators suggest that Germany and France have good chances of joining Emu in 1999. But for Portugal, Spain and the UK, the calculators vary considerably. While Commerzbank puts Portugal's chances at 83 per cent, Paribas attaches a probability of zero.

The reason lies in the method. All the calculators rely on swap rate spreads.

Investors use the swaps market to switch between fixed and floating rate investments. After monetary union the "swap rate", which investors pay to switch from floating to fixed rate payments, will be the same throughout the Emu zone. The probability of joining is calculated by looking at the current difference between swaps across two countries and comparing it to the difference one would expect to see if Emu did not happen.

J P Morgan uses D-Mark spreads on the basis that Germany's membership of Emu is considered least questionable. Commerzbank and Paribas use Ecu spreads. Everybody also uses swap rates because they are not contaminated by credit risk considerations.

This is how it works: If a country joins Germany in monetary union in 1999, the country's swap spread against Germany should be zero. That is the easy part.

The difficult part is to assess what the rate would be if the country did not join. Should one base the estimate on historic data or some other method? This is where the models differ, and this is where the EMI's warning comes in.

Commerzbank, for example, uses a moving average of historic data. Paribas uses a highly sophisticated statistical model, looking at the distribution of spreads over time.

J P Morgan uses a totally different approach – one that does not rely on historic European data, but uses spread against non-EU currencies instead. Mr Avinash Persaud, *currency strategist* at J P Morgan, says a narrowing of spreads against the D-Mark does not necessarily say anything about a country's chances of joining Emu. "There has been a huge narrowing of spread elsewhere in the world. You can't take a spread narrowing as an Emu phenomenon. Only the extent to which the Italy-Germany spread is falling more rapidly than the spreads with non-European currencies is significant," he said. Unlike some of the other systems, J P Morgan's indicator is real-time.

In fairness, few of the other models treat history as static either. So the difference is largely down to personal preference and judgment. The EMI seems to show a slight preference for the Paribas approach, but warns that these "exercises are not strict science but enter the territory of art".

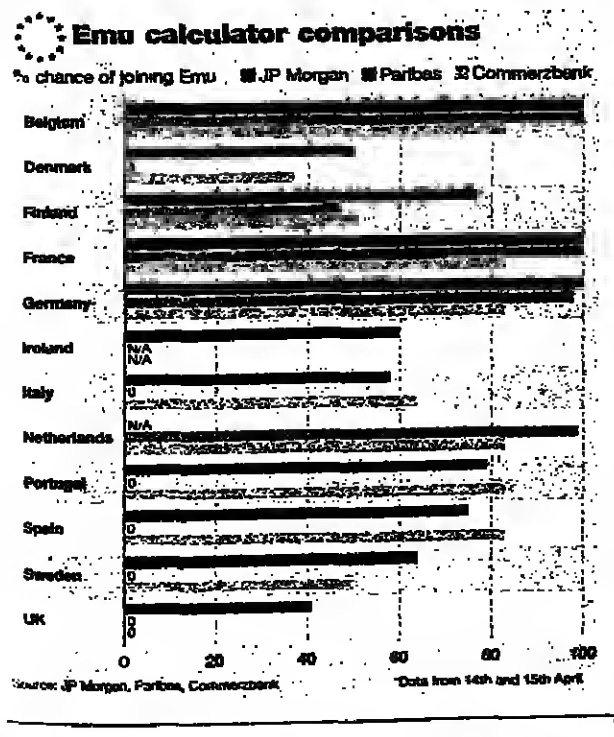
A weakness of all of them is the extent to which they will probably fail to react to sudden changes in the real world. For example, given the way these models are calculated, it is likely that none of them will react correctly to an actual decision on who participates. If, for example, EU leaders decide next spring that Portugal is in and that Italy is out, none of the models would show 0 per cent for Italy and 100 per cent for Portugal the day after the decision.

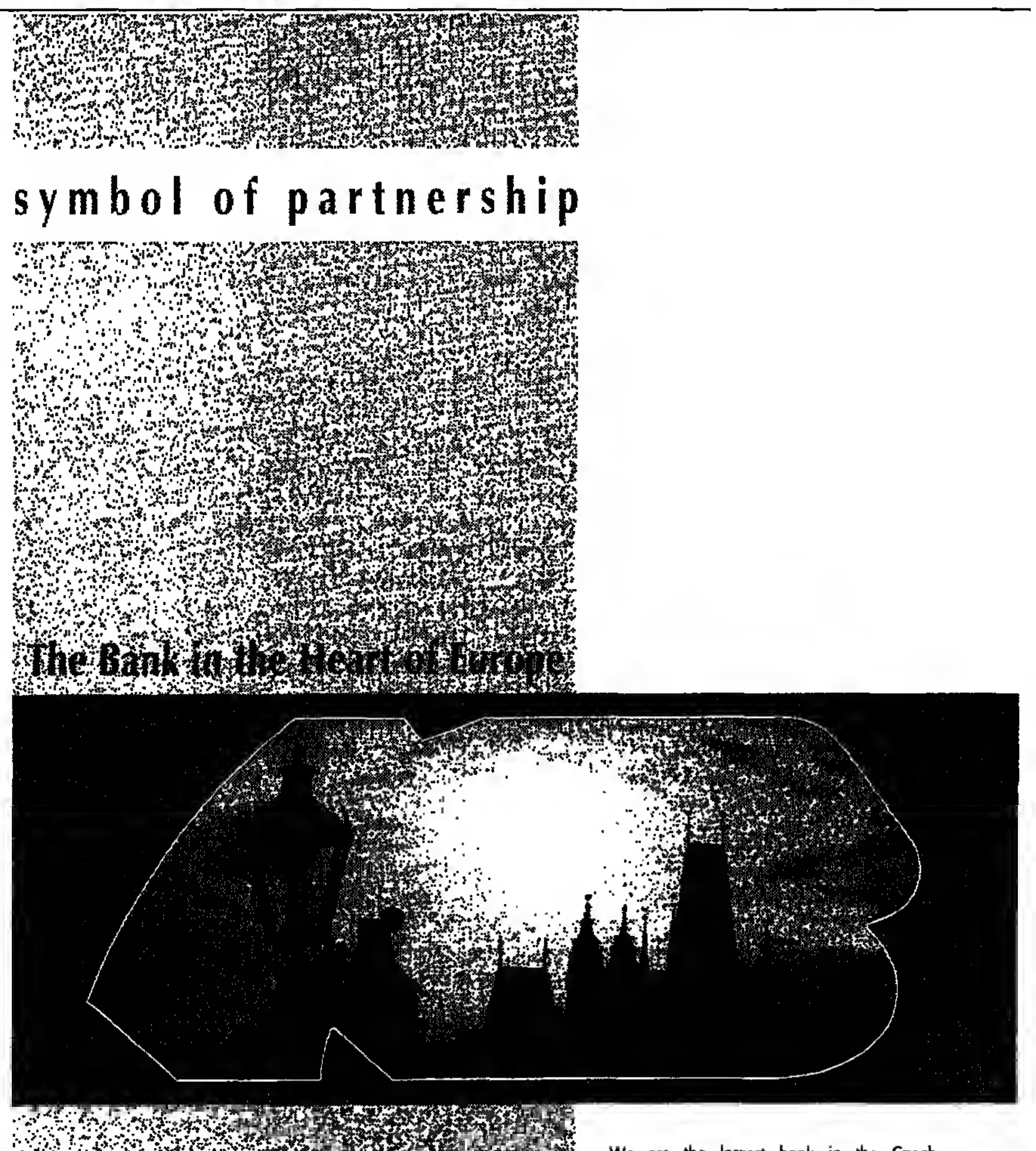
Mr Persaud countered that "a model is only as a good as the question you ask", implying that it does not make a lot of sense to ask for a probability when you know the answer already.

The models throw up several other conundrums. Ms Mary Bloem, Ecu bond strategist for Paribas, said that some models show probabilities of more than 100 per cent. She said: "If that happens we are no longer talking about probabilities, but about something else." She said that it is possible to round the numbers down to 100, but, statistically speaking, this amounts to cheating.

All of them, however, are reasonably successful at showing a relative shift in expectations. By itself, a 64 per cent probability rating – such as Commerzbank's estimate for Italy on April 14 – may not say very much. But when compared with the figure for December 30 last year, when Commerzbank put Italy's chance of joining Emu at 73 per cent, the meaning becomes clearer: the markets have become less optimistic about Italy.

Mr Persaud says the data should be seen as rough estimates, surrounded by massive margins of error. Each of his numbers carries an error margin of about 5 per cent either side. Given this uncertainty, while the results may still be useful they are far from as revealing as appears at first sight.





The law catches up with the Internet

Police are monitoring web sites for criminal material. **Louise Kehoe** and **Paul Taylor** report

The global Internet community faces the prospect of closer surveillance and monitoring of web sites after the head of CompuServe's German operations was charged last week with distributing illegal pornography and neo-Nazi materials.

The CompuServe case is the first in which an Internet service company, or company official, has been held criminally liable for enabling subscribers to gain access to material banned by local laws.

It brings to a head the widely debated issue of legal jurisdiction over the Internet. While legislatures and courts have local, state or national authority, there are no national boundaries in cyberspace – and therefore, to date, no effective laws.

If the charges are upheld, CompuServe – the world's second largest online information service with 3.3m subscribers – could be forced to impose German restrictions on its subscribers worldwide.

This raises the spectre of a "lowest common denominator" form of law controlling Internet content worldwide. Countries or regions with the most restrictive laws might hold sway over all electronic publishing and communications. With China and Singapore already attempting to impose strict censorship on the Internet, this is a growing concern for many Internet users.

The indictment last week of Mr Felix Somm, head of CompuServe's German operation, on charges of aiding the exchange of child pornography and extremist propaganda via its online service illustrates Bonn'a stepped up efforts to fight pornography on the Internet.

The German case also reflects concern in several countries about the use of the Internet – especially Internet news group postings – for distributing child and other highly offensive pornograpby. There is also widening debate about the need for international treaties to co-ordinate Internet regulations.

It comes as the US Supreme Court is considering the constitutionality of a law to impose restrictions on "Indecent" materials aent over the Internet and as the European Parliament is preparing to address similar issues. In the UK the leading Internet service providers agreed last year to adhere to a voluntary code of conduct and set np the Internet Watch Foundation and a complaints "hotline".

German legislatora are considering a draft multimedia law which makes some effort to protect Internet service providers from prosecution but nevertheless would make them responsible for using reasonable technical measures to control tha content on their networks.

CompuServe
Network Services

In conservative Bavaria, prosecutors are not waiting for new laws or international treaties to emerge. For nearly two years a special team of investigators from the Munich state prosecutor's office has been investigating Internet services, including CompuServe, for alleged violations of German publishing laws.

The officers spend their days trawling the Internet for obscene pictures, Nazi diatribes and other offensive material banned in Germany. "We document what we find, copy It and print it out and turn it over to the investigators," said Karl-Heinz Moewes, chief criminal officer for the Internet operation.

In Germany other atates also have teams of "cybersleuths" while federal government officials and local police also patrol the Internet on an ad-hoc basis looking for illegal material. The Munich office, one of the few full-time Internet patrols, uncovered 110 postings of illegal material last year, two-thirds Involving material from outside Germany, according to Moewes.

Last week, the German prosecutors revealed the charges against Mr Somm. He is accused of having "knowingly allowed images of child pornography, violent sex and aex witb animals from news groups from the so-called Internet to be made accessible to customers of CompuServa Germany". The prosecutors sald CompuServe subscribers also had access to computer games tbat contained forbidden images of Hitler and Nazi symbols such as swastikas.

The apecific chargas against Mr Somm accuse *him of, "assisting in the distribution* of pornographic materials as well as premeditated and negligent violation of laws concerning writings that ara dangerous to youths".

CompuServe said last week it would "vigorously oppose" the "entirely groundless" charges against its German manager. However, CompuServe's decision at the end of 1995 to comply with the Munich prosecutor'a demands that it block some 200 Internet discussion groups found to be offensive or illegal by the Bavarian authorities caused an international outcry.

CompuServe'a decision, widely criticisad by free-speech advocates in the US and elsewhere, now appears to have backfired. Having demonstrated that it is technically possible to prevent access to specific sites or publications on tha Internet, CompuServe is now facing charges of failing to block all Internet publications that offend against Bavarian laws.

In a statement issued last week, CompuServe protested that it could not control the content on Internet discussion groups, or "newa groups". Thousands of people post messages to Internet news groups, making it impossible to monitor them in any meaningful way, the company said.

While *true today*, it may not be long before the technology exists that would enable individual countries to police the Internet. Even as courts are beginning to struggle with Internet regulation issues, technology is changing.

It will soon be possible to identify quickly and then block World Wide Web sites or news groups that carry offensive materials. This so-called "URL screening" is part of the latest security "firewall" programs being used by companies to protect their computer systems from unwanted intrusions.

Development of this technology has been driven largely by the needs of US businesses to prevent access to explicit Internet sites that might lead to charges of sexual harassment in the workplace.

The same technology could also be used, however, to create a censorship system for a country, region or town. Already, China is deploying "firewalls" to isolate its Internet users.

Once again, technology may move at a faster pace than national lawmakers. In the meantime bowever, developments in Germany – where Internet service providers fear further Indictments – will be closely watched.

Unido chief to stand down

By Ian Hamilton Fazey

The future of tha beleaguered United Nations Industrial Davalopment Organisation took a new turn yesterday when Mr Mauricio de Maria y Campos, its director-general, unexpectedly announced he would not seek re-election for a second four-year term in November.

His decision paves the way for radical change of Unido's role in the UN system. The UK followed the US last December by announcing it would withdraw from Unido at the end of this year, citing the UN'a failure to sort out overlap between agencies Involved in economic development.

Australia also decided to withdraw, while Germany put off a decision ahead of the EU agreeing a joint position. EU consensus now favours Unido'a continued existence only if it reduces Its role to specialised tasks it does well, such as implementing the Montreal protocol on atmospheric pollution and promoting technology transfer and investment between advanced economies and developing countries.

Mr de Maria y Campos has cut staff to about 810 from more than 1,200 to try to shake off Unido's image as a top-heavy, undar-achieving bureaucracy, but the UN's main paymasters have questioned Unido's rola against those of the dominant, New York-based UN Development Programme and an overlapping part-competitor in the UN Commission on Trade and Development in Geneva.

Mr de Maria y Campos's leadersbip has also been questioned, partly because poor presentational and media skills have not always helped him make a convincing case. There were moves afoot to replace him, possibly with Mr Gerard Latortue, a francophone Haitian and former Unido director with 22 years' field experience, who is thought to have the support of most Latin American and African countries.

Peace pact signed for south Sudan

By Mark Huband in Cairo

Sudan's military leader yesterday signed a peace accord with four minor southern factions which, if carried out, will allow a referendum on self-determination for southerners who have been fighting for secession since 1982.

The accord was signed by leaders of breakaway factions of the Sudan Peoples' Liberation Army, whose leader, Mr John Garang, rejected the agreement.

The refusal of the SPLA and the National Democratic Alliance of northern and southern opponents of the government, to be part of the deal bodes ill for its success. The faction leaders who have signed, including the leader of the second largest faction, Mr Riek Mechar of the South Sudan Independence Movement, bave enjoyed littla military success and bave been most ready to talk with the government in Khartoum.

As these faction leaders are not in control of more than a small fraction of the southern territory, tha opportunity to enact the clauses of tbe new agreement will be limited.

The key element of the agreement commits all signatories to carrying out a referendum on southern salf-detarmination within four years, giving all southerners a vote on wbether they wish to create a separate etate in the south or remain in a united country.

The accord empbasises that the Islamic sharia law as well as local customs will be the source of legislation.

Bonn outlines its plans for first 'cyber sheriff'

By Peter Norman in Bonn

The Internet "must be an open medium but cannot be outside the law", Mr Jürgen Rüttgers, Bonn's *minister for education, science* and technology, said yesterday.

It is in this spirit that the country's multimedia bill, which was given its first reading in the Bundestag, the lower house of parliament, last Friday, attempts to ensure that young people and others are protected from the dangers of pornography and other illegal material on the Internet.

The bill is the first attempt by any country to introduce a "cyber sheriff" and relies on a mixture of seif-regulation and official controls. If approved by parliament, it is dne to enter force on August 1.

The principle, as explained by Mr Edzard Schmidt-Jortzig, the *German justice minister*, is that Internet service providers cannot be beld responsible for the material they transmit if they simply provide the means of transmission. "This is only logical. We do not punish the post service when it transports letters containing instructions for making Molotov cocktails, Nazi propaganda or child pornography," he said last week.

But, as Mr Rüttgers explained yesterday, those providing access to the Internet "must act when they know of illegal contents and have the possibility of blocking them". He told the weekly news magazine Der Spiegel: "The post office is not responsible for the contents of a letter but it must call the police when it knows that there is a bomb in it."

Internet 'cannot be outside the law'

The bill will extend Germany's present restrictions on written material to the Internet. It works from the premise that the state does not censor but has a duty to make clear the limits of acceptability in terms of content, and to pursue those who break these rules.

It therefore envisages the stationing of special "youth protectors", who will be civil servants, in the offices of Internet providers in Germany. Such officials already exist to monitor books and films. They would look for illegal material in the Internet and, if they found any, would ask the provider to block it. They would also report the material to the Bonn-based "federal office for the examination of texts endangering youth", which would categorise it and decide whether to prosecute the originator or the Internet provider or both.

In addition, service providers have promised to work out a system of self-regulation with a code of conduct to deal with illegal or corrupting material. The Bonn government is exploring greater international co-operation on legal and technical issues through a Group of Seven initiative.

Mr Rüttgers made clear yesterday that he expects online service providers to supply equipment free of charge that will enable parents to stop undesirable material reaching their children. But to be effective, this will require the co-operation of adults, who are frequently far less computer literate than their offspring.

NEWS: ASIA-PACIFIC

Gujral pledges to 'widen' economic reforms

By Mark Nicholson in New Dalhi

Mr I. K. Gujral, India's new prime minister, pledged his United Front government to "deepening and widening" economic reforms in his first address yesterday.

Mr Gujral, India's fourth prime minister in 12 months, told an audience of foreign ambassadors and India's business elite: "I'd like to make it *very clear – that we* intend to carry forward the programme of liberalisation and economic reforms speedily, and with determination."

Having stepped into an appearance scheduled for his predecessor, Mr H. D. Deve Gowda, Mr Gujral told the Confederation of Indian Industries' annual meeting reforms would be "sustained and strengthened".

The new prime minister has also assumed the finance portfolio vacated by the reformist Mr P. Chidambaram, who stepped down after his party, the Tamil Maanila Congress, one of 13 members of the former UF government, refused to join the new formation.

Mr Gujral said earlier that be believed continuing efforts by UF leaders and business lobbies would eventually persuade Mr G. K. Moopenar, TMC leader, to revise his stand and re-enter the government. The TMC withdrew after Mr Gujral emerged as the compromise candidate in a bitter internal leadership battle during which, the TMC said, "our political integrity and loyalty were questioned" by other coalition members.

Mr Gujral's speech was warmly applauded by the Delhi business audience, much as India's stock market enthusiastically greeted his formation of a fresh administration in India.

It brought to an end a three-week political crisis and raised fresh hopes that the new UF government will shortly pass Mr Chidambaram's tax-cutting budget into law. The Bombay Sensex rose 101 points by yesterday's close to 3,798.

Parliament is expected to reconvene on April 30 to debate the finance bill, which bas been in abeyance since the former government's February 28 budget.

Mr Gujral said: "The economic policy on which our budget has been based will remain more or less the same, maybe some minor changes here or there."

Mr Chidambaram's February budget sharply cut income and corporate tax and reduced India's maximum tariff to 40 per cent, aimed at producing a fourth year of economic growth skirting 7 per cent.

The pro-growth budget was also expected sufficiently to buoy tax revenues to cut the fiscal deficit to 4.5 per cent of GDP next year from 5 per cent this.

Mr Gujral bas also retained the post of foreign minister. Though he has hinted at changes, all but three of the UF's previous 37-member cabinet were also sworn in during yesterday's ceremony minus the two portfolios, finance and labour, held by the TMC.

China 'could overtake US by 2020'

By Tony Walker in Beijing

China's economy will be larger than that of the US by the year 2020, provided the present direction and momentum of economic reforms are maintained, a report* by Australia's Department of Foreign Affairs and Trade said yesterday.

Despite substantial progress, China's economy is still "only about half way" in its transition from a centrally-planned to a market system, the report adds.

The 430-page study, China Embraces the Market, described as "remarkable" the internationalisation of the Chinese economy, with the ratio of trade to gross national product growing from 10 per cent in 1978 to 36 per cent in 1996.

"China's increasing interdependence with the world's trade and investment systems is perhaps the most striking phenomenon of China's recent development," the report, prepared by the department's East Asia analytical Unit, states.

China's economy was second only to that of the US in 1997, "measured in terms of domestic purchasing power". "If the US maintains 3 per cent growth, its average over the past 15 to 20 years, and China grows at 7 per cent a year, slightly less than its post-1978 average, China's total domestic purchasing power will overtake that of the US by 2020."

The purchasing power parity (PPP) measurement of an economy is increasingly favoured by economists over the simple per capita gross domestic product formula. PPP refers to the capacity of a unit of local currency to buy a "basket of goods and services", providing a standard to compare sizes of competing economies.

China's per capita income is still low, the report goes on, citing World Bank estimates of 350m people out of a population of 1.2bn living below China's poverty level of $1 a day.

Labour productivity is also extremely low, only about 10 per cent of that in the US and comparable to India's. "This indicates both the economy's development needs and its growth potential, if it applies modern technologies in agriculture, industry and services. All these factors will produce immense trade and investment opportunities, with the need for significant capital flows into China."

China's growing participation in the world economy saw it leap from 34th place in terms of two-way trade in 1978 to 10th in 1996, accounting for more than 3 per cent of world trade.

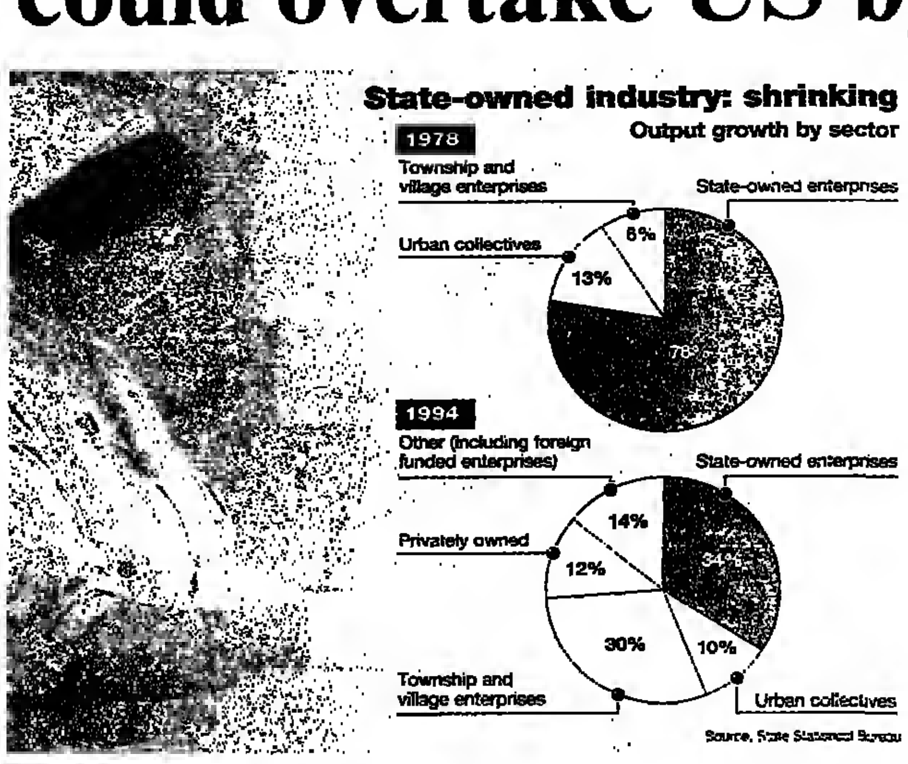
China bad achieved its aim of quadrupling per capita GNP in 1995, five years ahead of the target year 2000. Between 1978 and 1994, state-owned enterprises' share of industrial output shrank from 78 to 34 per cent, excluding urban collectives. This could be attributed to "more efficient allocation of resources in most sectors as central planning had been replaced by a more market-oriented approach where international trade and investment bave been significant. High savings, high investment and rapid expansion of the urban labour force provide the necessary capital and labour to underpin this growth.

"Long-term sustainability of economic growth will depend on continuing success in macro- and micro-economic reforms, accelerating structural change within agriculture and industry, and further integration into the world economy."

The Communist party would keep power and stay committed to continued economic reform and integration into the world economy. "Economic reform bas delivered strong growth and tangible benefits.

"The leadership recognises the economy needs to maintain relatively rapid growth, to avoid widespread unemployment and possible social disruption."

**Chino Embraces the Market: Achievements, Constraints and Opportunities. East Asio Analytical Unit, Department of Foreign Affairs and Trade, Canberra, April 1997*



Singapore eyes upturn in economy

By James Kynge in Singapore

Singapore's trade figures announced yesterday may be the harbinger of a gradual upturn in economic fortunes economists said.

The city-state's non-oil exports fell by 3.1 per cent in March to S$7.67bn ($5.3bn), the fifth successive month of year-on-year decline but a marked improvement on February's 7.9 per cent fall.

Economists said it was just the sign of recovery they bave been waiting for. "The figure was a lot better than the stock market had expected and will serve to clear away some of the unwarranted pessimism over Singapore," said Mr Neil Saker, senior regional economist with SocGeo-Crosby Securities in Singapore.

Economic growth began to slow in the middle of last year because of a slump in global demand for electronics goods, which comprise more than 60 per cent of Singapore's exports. But in key parts of the electronics industry, such as disk-drives, demand from the US and elsewhere is now picking up.

The island's exports of disk-drives climbed 8.1 per cent in March, compared with a 9.5 per cent fall in February. The stock market's electronics index rose strongly on the news. The market's benchmark index, the Straits Times Industrials, retreated 5.3 points to 2,037.89.

There are signs too that semiconductor wafer exports to assembly plants in neighbouring Malaysia, which take about 30 per cent of Singapore's wafer output, are starting to grow. Such assembly plants have been showing steadily more buoyant activity since late last year, providing a persistent trend.

The prospects of an upturn in the electronics industry, however, cannot obscure other problems which are likely to remain a drag on growth for the rest of the year and beyond.

The retail sector, which relies on foreign custom, has been hit by an appreciating Singapore dollar, rising rental costs and competition from Malaysia. Retail sales fell 17.6 per cent in February against the same month a year earlier.

The local shipyard and shipping industries are also expected to fare poorly while banks and property companies are unlikely to see more than a modest year, especially after measures announced last week to curb mortgage lending to buyers of public housing.

Demand is picking up in key parts of the electronics industry

Mr Philip Wee, regional treasury economist with Standard Chartered in Singapore, said that even with a rebounding electronics industry, Singapore's current account surplus – which has been the main source of the Singapore dollar's resilience against the US currency – will decline as a percentage of gross domestic product.

This is likely to mean that any Singapore dollar appreciation, which is the stated aim of the government, will be moderate.

Overall, most economists said that the government's economic growth forecast of 5-7 per cent for this year looks realistic. An increasing number are, however, starting to forecast slightly higher growth than the government.

Tokyo's property prices still falling

By Gwen Robinson in Tokyo

Tokyo's property prices are still falling, but housing prices remain the highest among the world's main cities, according to a report by the Japanese government's National Land Agency.

The findings, released yesterday, contradict the widely held opinion among property analysts that Tokyo land prices have bottomed out, following better than expected results from some recent auctions of prime commercial property in central Tokyo.

That view was reinforced by the government's announcement last month of measures to revitalise the property market.

These included the allocation of funds to buy plots of land and steps to help banks securitise property-backed non-performing loans. The land agency's report, however, shows the gap in average prices for commercial land between Tokyo and main cities in the US and Europe, including New York and London, narrowed drastically in the year to March 31.

More significantly, Tokyo dropped behind Hong Kong and Singapore for the first time in the agency's survey of world land prices.

The report is based on a worldwide survey of property prices in 26 of the world's cities. The agency attributed the downward trend of commercial property prices in Tokyo to the continuing effects of the collapse of the speculative bubble economy in the late 1980s, as well as an increase in property prices in the two Asian cities.

Taking Tokyo's average commercial land price as a base figure of 100, Singapore averaged 150.5 and Hong Kong 110.3. But Tokyo's housing prices outstripped those in Paris by five times, while they were four times higher than in New York. Hong Kong and Singapore are not strictly comparable, as housing in the two Asian cities is primarily for high-income earners, the agency said.

CORRECTION

Lahore

In yesterday's article about Asian megacities, the city of Lahore was incorrectly identified as being in India, not Pakistan.

Act of faith for Vietnam's businesses

By Jeremy Grant in Thi Cau, northern Vietnam

Faith in Vietnam's financial system may be ebbing but business is booming at the temple of the Goddess of the Treasury near Hanoi.

Scores of worshippers converge daily on the village of Thi Cau, 30km north-east of the capital to make offerings to Ba Chuo Kho, a legendary heroine who has achieved cult status as a bringer of good luck in business.

Near the altar, two old women dressed in traditional black and red wraps murmur prayers for anyone who cares to pay a 500 dong (4 US cents) fee.

"The pagoda can help people – with money, with many things," says Mr Vu Du Thanh, fresh off a bus from Hanoi with his girlfriend. His thriving restaurant and karaoke bar business already pulls in $1,700 a month, five times Vietnam's average annual per capita income.

Mr Thanh is typical of the new Vietnam, where capitalism is taking root because of decade-old economic reforms. But the forces of the free market have also unleashed a return to religious ritual that contrasts sharply with the growing modernity of urban Vietnamese society.

This strong belief in the power of prayer comes at a bad time for the Vietnamese authorities as they struggle to instil confidence in the banking system. Vietnam's savings rate is only about 18 per cent of GDP.

At the same time, scores of small, private banks are lumbered with overdue debts from failed property deals and slack credit practices.

In Thi Cau, peasants come armed with stacks of false $100 bills, trays piled high with votive offerings bought from "brokers" in booths nearby. These are used as offerings to the goddess, in the hope of receiving spiritual "loans", implicit blessing for planned business ventures.

For a fee of $15, men in traditional robes write in Chinese characters the names, addresses and prayers of their customers on slips of bamboo paper. These are stuffed into prayer boxes in the temple.

"I've started a family so I think I need to come here," said Mrs Bui Linh Chi, who is five months pregnant.

She hopes Ba Chuo Kho will help get her husband promoted from his job in a Singaporean-Vietnamese joint venture shipping company, earning $260 a month. "We need more. When you come here, your dreams can come true."

ASIA-PACIFIC NEWS DIGEST

Japan leading index slips

One of Japan's most widely watched economic indicators pointed to decline in February for the second month in a row, the government's Economic Planning Agency announced yesterday. The EPA's leading diffusion index, a basket of statistics pointing to conditions six months ahead, stayed at 44.4 per cent in February, the same as in the previous month.

A reading of 50 per cent represents equilibrium between growth and decline. The individual indicators to have slipped into reverse compared with three months previously, when the index was most recently positive, included job offers, machinery orders, building starts and money supply growth. Those continuing to improve include inventory reductions, car registrations and commodity prices. *William Dawkins, Tokyo*

Ramos tax bill doubt

The Philippine Congress yesterday resumed business amid doubts that key legislation on tax reform and intellectual property rights could be passed by next week's deadlines. President Fidel Ramos wants Congress to pass the remaining portion of the Comprehensive Tax Reform Programme (CTRP), dealing with personal income and corporate taxation, by April 30.

The CTRP, designed to simplify legislation and broaden the tax base, is the only remaining obstacle to the Philippines graduating from its International Monetary Fund programme. The three-year programme, the Philippines' 35th in 23 years, expires at the end of June. A fight between the Senate, House of Representatives and the department of finance has developed over tax exemption levels. *Justin Marozzi, Manila*

Deadlock on Aborigine title

Australia's Prime Minister John Howard yesterday failed to reach agreement with Aborigines over native land title, saying he needed more time to discuss the issue with indigenous leaders. They emerged from the meeting saying they had agreed on some issues but failed to make progress on others, such as the rights of Aborigines to negotiate development of land on which they had native-title interest.

Mr Howard, rejecting the call to extinguish native title, has warned that if agreement cannot be reached, he will impose a solution. Aborigines have threatened to seek UN trade sanctions against Australia if the government extinguished native title as argued by farmers, who say the issue is potentially damaging to their industry. The impasse was triggered by a 1992 High Court of Australia ruling that native title existed. *Reuter, Canberra*

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

UNITED STATES

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	101.9	98.6	102.1	99.8	85.0
1987	105.6	100.7	103.9	97.5	76.1
1988	109.9	103.2	106.8	99.4	71.0
1989	115.2	108.5	109.8	101.4	74.8
1990	121.5	113.9	113.5	104.0	73.2
1991	126.6	116.3	117.3	107.3	74.1
1992	130.4	117.7	120.1	107.0	74.1
1993	134.3	119.2	123.1	106.7	75.6
1994	137.8	119.9	126.5	105.4	74.5
1995	141.7	122.2	129.7	105.6	68.9
1996	145.9	125.4	134.0	104.9	73.4
1st qtr.1996	2.7	2.2	2.7	0.0	72.0
2nd qtr.1996	2.9	2.5	3.4	0.0	73.4
3rd qtr.1996	2.9	2.9	3.4	–0.1	73.6
4th qtr.1996	3.2	3.0	3.5	–0.5	74.5
March 1996	2.8	2.4	2.2	–0.3	72.3
April	2.9	2.4	3.5	–0.2	73.0
May	2.8	2.3	3.4	0.1	73.5
June	2.8	2.7	3.4	0.1	73.9
July	2.8	2.9	3.2	–0.8	73.8
August	2.9	3.0	3.5	0.1	73.3
September	3.0	3.0	3.4	0.4	74.1
October	3.0	3.1	3.3	–0.4	74.4
November	3.3	3.0	3.9	–0.8	73.9
December	3.3	2.8	3.7	–0.3	75.3
January 1997	3.0	2.5	3.0	0.0	76.7
February	3.0	2.2	3.6	0.1	

JAPAN

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	100.9	95.3	101.4	102.7	118.5
1987	101.3	92.5	103.1	100.0	122.8
1988	102.3	92.3	107.8	96.0	131.0
1989	105.1	94.2	114.0	96.9	123.5
1990	108.3	95.7	120.1	98.7	108.2
1991	111.8	96.8	124.2	103.9	113.2
1992	114.0	95.8	125.9	112.8	114.6
1993	115.4	94.3	125.8	118.8	132.3
1994	119.2	92.8	128.4	118.5	137.8
1995	115.9	92.0	132.5	115.8	138.8
1996	115.8	81.3	135.8	113.4	119.8
1st qtr.1996	–0.3	–0.8	1.8	–0.7	122.4
2nd qtr.1996	0.1	–0.8	1.9	–0.3	121.0
3rd qtr.1996	0.0	–0.8	4.8	–3.4	118.1
4th qtr.1996	0.1	–0.9	2.0	–3.8	114.3
March 1996	–0.2	–0.8	2.7	3.4	122.1
April	0.2	–0.8	2.4	–0.1	121.2
May	0.1	–0.8	2.1	–2.5	122.4
June	–0.1	–0.8	0.8	1.2	118.0
July	0.4	–0.8	3.9	–5.8	119.4
August	0.0	–0.7	7.9	–1.9	118.9
September	–0.4	–0.6	3.0	–3.2	117.1
October	0.0	–0.8	2.8	–5.1	115.0
November	0.1	–0.6	2.5	–3.3	114.3
December	0.2	–0.4	1.4	–3.0	113.8
January 1997	0.0	–0.4	8.8	–7.4	111.1
February	0.1	–0.3	3.1		

GERMANY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	99.9	97.5	103.6	103.8	107.4
1987	100.1	95.0	107.8	107.1	110.8
1988	101.4	96.2	112.6	105.9	109.8
1989	104.2	99.3	117.1	108.0	107.5
1990	107.0	101.0	123.5	110.3	109.9
1991	110.9	103.4	131.3	109.5	107.5
1992	116.5	104.9	138.2	115.4	110.3
1993	121.7	105.1	145.9	119.9	112.2
1994	125.1	105.7	150.8	112.0	110.7
1995	127.4	107.5	155.8	110.9	115.8
1996	129.3	107.1		109.7	110.7
1st qtr.1996	1.8	–0.2		3.7	113.1
2nd qtr.1996	1.5	–0.6		0.4	110.2
3rd qtr.1996	1.5	–0.9		–2.7	110.7
4th qtr.1996	1.4	–0.3		–5.2	108.7
March 1996	1.7	–0.3	n.a.	1.0	112.1
April	1.5	–0.5	n.a.	0.0	110.9
May	1.7	–0.5	n.a.	2.0	109.9
June	1.4	–0.8	n.a.	0.0	110.0
July	1.8	–0.7	n.a.	–2.0	110.9
August	1.4	–0.7	n.a.	–4.0	111.2
September	1.4	–0.6	n.a.	–2.0	109.6
October	1.5	–0.3	n.a.	–3.9	108.8
November	1.4	–0.3	n.a.	–4.8	109.0
December	1.4	–0.3	n.a.	–6.8	108.1
January 1997	1.8	0.7	n.a.		108.9
February	1.7	0.6	n.a.		

FRANCE

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	102.5	98.0	104.5	101.6	103.4
1987	105.8	98.1	107.8	103.0	104.6
1988	108.8	102.9	111.1	104.1	102.1
1989	112.6	108.2	115.4	105.2	99.6
1990	116.5	107.1	120.6	108.6	102.8
1991	120.2	105.9	125.8	113.4	100.7
1992	123.1	104.3	130.3	115.6	102.6
1993	125.6	101.8	133.5	116.1	101.6
1994	127.7	102.7	135.8		101.4
1995	130.0	109.7	139.0		101.4
1996	132.6	105.8	142.7		101.4
1st qtr.1996	2.1	–1.2	2.3		101.6
2nd qtr.1996	2.4	–3.6	2.3		101.7
3rd qtr.1996	1.8	–5.2	2.6		101.4
4th qtr.1996	1.7	–3.6	2.6		101.0
March 1996	2.3	n.a.	n.a.	n.a.	102.3
April	2.4	n.a.	n.a.	n.a.	102.1
May	2.4	n.a.	n.a.	n.a.	101.5
June	2.3	n.a.	n.a.	n.a.	101.5
July	2.3	n.a.	n.a.	n.a.	101.6
August	1.6	n.a.	n.a.	n.a.	101.3
September	1.6	n.a.	n.a.	n.a.	101.3
October	1.8	n.a.	n.a.	n.a.	101.6
November	1.6	n.a.	n.a.	n.a.	101.0
December	1.7	n.a.	n.a.	n.a.	100.4
January 1997	1.8	n.a.	n.a.	n.a.	99.7
February	1.5	n.a.	n.a.	n.a.	

ITALY

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	106.1	100.2	104.8	102.9	101.3
1987	111.0	103.1	111.6	105.5	102.2
1988	116.5	106.8	118.4	109.7	101.0
1989	124.2	113.1	125.6	112.3	105.3
1990	131.7	117.8	134.7	118.8	112.0
1991	140.3	121.7	147.8	129.6	113.2
1992	147.7	124.0	155.6	134.5	109.6
1993	153.9	128.7	161.6	136.6	96.2
1994	160.0	133.5	167.0	138.1	94.2
1995	168.6	144.0	172.2	138.1	91.2
1996	175.0	146.4	175.3		102.9
1st qtr.1996	5.0	4.6	1.9	1.6	99.2
2nd qtr.1996	4.2	1.8	2.1	2.5	103.1
3rd qtr.1996	3.5	0.4	1.7	0.7	108.6
4th qtr.1996	2.7	0.8	1.8		105.8
March 1996	4.5	3.7	1.8	n.a.	100.1
April	4.5	2.7	2.0	n.a.	101.9
May	4.3	1.5	2.0	n.a.	103.5
June	3.9	0.7	2.2	n.a.	103.6
July	3.6	0.3	1.9	n.a.	103.6
August	3.4	0.4	1.8	n.a.	102.8
September	3.4	0.5	1.3	n.a.	104.1
October	3.0	0.7	1.5	n.a.	105.7
November	2.8	0.8	1.5	n.a.	105.2
December	2.6	0.9	1.8	n.a.	106.5
January 1997	2.6	0.8	3.6	n.a.	107.1
February	2.4	0.8	3.9	n.a.	

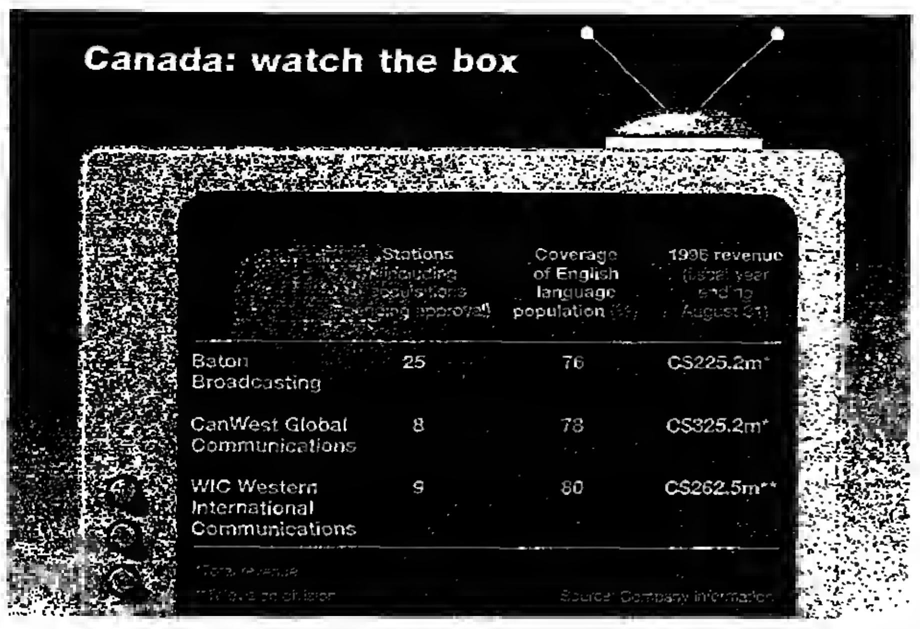
UNITED KINGDOM

	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	103.4	101.4	107.7	105.1	94.3
1987	107.7	104.9	116.3	107.5	94.6
1988	113.0	108.7	126.2	110.3	101.9
1989	121.8	113.9	137.2	115.1	100.5
1990	133.3	121.0	150.1	122.7	101.4
1991	141.2	127.5	162.4	128.5	104.4
1992	146.4	131.5	173.1	130.5	101.1
1993	148.7	136.7	180.8	130.4	93.8
1994	152.4	140.1	189.5	130.1	94.6
1995	157.6	146.0	198.0	134.2	81.2
1996	161.5	148.8	206.8	139.7	94.2
1st qtr.1996	2.8	3.6	4.4	3.8	90.9
2nd qtr.1996	2.3	2.9	4.2	4.5	82.3
3rd qtr.1996	2.2	2.1	4.5	4.5	93.5
4th qtr.1996	2.6	2.0	4.6	3.4	100.0
March 1996	2.7	3.4	4.8	4.2	90.9
April	2.4	3.2	4.3	4.4	91.2
May	2.2	2.8	4.0	4.4	92.0
June	2.1	2.6	4.3	4.5	93.8
July	2.2	2.2	4.4	3.9	93.7
August	2.1	2.1	4.5	5.2	92.7
September	2.1	2.2	4.7	4.6	94.1
October	2.7	2.3	4.0	3.5	98.9
November	2.7	2.1	4.7	4.0	100.7
December	2.5	1.8	5.1	2.8	103.0
January 1997	2.6	1.5	4.2	2.5	105.4
February	2.7	1.2	4.5	2.4	

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York. **Consumer prices:** not seasonally adjusted. **Producer prices:** not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. **Earnings index:** not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). **Unit labour costs:** seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries - manufacturing industry. **Real exchange rate:** JP Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

Canada's broadcasters box clever in battle for control

Private groups are reshaping TV industry, writes Scott Morrison



After years of being restrained by heavy regulation, Canada's broadcasters have launched a nationwide turf battle in an attempt to lower programming costs and increase advertising revenues.

Behind the change lies an apparent policy shift by the Canadian Radio-Television and Telecommunications Commission (CRTC), which now seems willing to allow private broadcasters to reshape the industry.

In the latest move in the campaign, WIC Western International Communications has announced it may sell its 27 per cent stake in CTV, Canada's top private television network. WIC, based in Vancouver, made its statement in the wake of rival Baton Broadcasting's announcement that it had secured a deal that would give it control over the network, a strategic manoeuvre that is shaking up the industry.

"It's a very mature industry and this restructuring allows [broadcasters] to lower costs through economies of scale, especially on programming. It makes a lot of sense at this point," one industry analyst said.

None has been as bold as Baton, which will establish itself as Canada's premier broadcaster if the CRTC approves the Toronto-based company's deal to control CTV, an unwieldy co-operative with seven partners.

Baton has also pushed into the Alberta market and will increase the pressure on WIC this autumn when it launches a Vancouver television station to compete with WIC's flagship BCTV, the leader in the market and a CTV affiliate. That will leave BCTV in the odd position of competing with a station owned by the company that controls the network to which it is affiliated.

BCTV will lose several hit programmes its buya directly from Baton and some estimate it could also lose as much as C$10m (US$7.2m) in advertising revenue to the new Baton station. WIC recently announced 141 redundancies in British Columbia and Alberta to prepare itself for competition from Baton. But industry analysts believe WIC will ultimately have little choice other than to leave CTV, a scenario that would probably result in private broadcast networks vying for market share across the country.

While WIC's CTV affiliates would continue to abide by network affiliation agreements until the end of 1999, the company might exercise its option to sell its CTV shares and prepare for a future outside the network, Mr John Lacey, WIC president, said recently.

WIC has already taken steps to establish a nationwide chain. In addition to BCTV, WIC owns eight stations across the country, including recently acquired holdings in the key Montreal and south Ontario markets.

While WIC has not expressly stated it intends to form a network, the stations allow the company to operate as a series of stations which buy programming together.

"The thing that is driving all this is programming. It does not make economic sense for a stand-alone station to exist," said Mr Jim Macdonald, president of WIC TV.

Facing off against WIC in the looming private network wars will be two strong competitors. If the CRTC approved its bid to control CTV, Baton would have 25 stations in every region of Canada except Manitoba and Quebec. CanWest Global Communications of Winnipeg, the other private television system, has extended its reach nationwide, but was frustrated by the CRTC last year in its bid to acquire boldings in Alberta.

The publicly-owned Canadian Broadcasting Corporation, hobbled by budget cuts and focusing increasingly on Canadian content, is no longer seen as a strong threat within the industry.

A test of WIC's relationahip with a Baton-controlled CTV is expected to come next month at the Los Angeles screenings, where both company's will bid for top US programming.

WIC only recently began buying Canadian rights for US shows and the competition this year among the three private networks could escalate into a fierce bidding war. That would prove costly for the Canadian broadcasters, and WIC was seen as the least able of the three to afford such a contest. It is a scenario WIC might well have to get used to as Canada's private broadcasters prepare for full-scale competition.

Congress stops company divestment tax loophole

By Bruce Clark in Washington and Christopher Adams in London

US Treasury officials yesterday welcomed a congressional initiative to speed up the closure of a tax loophole that was been used in corporate divestments worth billions of dollars.

They noted, however, that the gain in revenue from ending the so-called Morris Trust loophole could be relatively small – no more than $300m over the next five years.

This low figure took into the account the likelihood that, once the law was clarified, many selloffs of subsidiaries now being contemplated would either not occur at all, or take place under some other tax-efficient procedure.

Mr Don Alexander, a tax lawyer with the Washington firm of Akin, Gump, Strauss, Hauer and Feld, said the tightening up of the Morris Trust rules would not mean the end of tax-efficient divestment. "The alternatives are slower and more cumbersome. It will still be possible to divest, but it no longer be easy to attract a substantial new owner."

Morris Trusts are an arrangement that was originally intended to make it easier to restructure the shareholding within a single corporation. But critics say they have become increasingly popular as a way for corporations to sell off unwanted divisions without paying tax. Deals worth up to $20bn have taken advantage of this arrangement over the past year.

The loophole allows the buyer to pay with its own stock and take on the seller's debt. No cash has changed handa and the "sale" is therefore tax-free.

The closure of the Morris Trust loophole is foreseen by the administration's 1998 budget proposal, but a bill introduced last week by senior figures in the Senate and the House of Representatives is aimed at speeding up the process.

The bill, sponsored by Senator William Roth, chairman of the Senate finance committee, and Mr Bill Archer, who chairs the House ways and means committee, would affect all deals made after April 16.

The move by two prominent Republicans comes against a background of mounting public criticism, from all sides of the political spectrum, of "corporate welfare" – overt or hidden subsidies to large companies.

Since its wording is broad, the bill may affect a large number of companies both in the US and overseas.

For example, a publicly listed company splitting into three separate businesses could be hit by the proposed changes, say corporate tax specialists in London.

"The pain could actually be fairly dramatic," said Mr Ian Hughes, US corporate tax partner at KPMG. "The rule is written very broadly so it could cover many types of legitimate business transaction."

Among the deals which may be affected by the retrospective legislation are the sale by General Motors of its Hughes defence arm to Raytheon for $9.5bn, the disposal of Tenneco's pipeline division to El Paso Natural Gas for $3.9bn and the $3.5bn sale of Providian's insurance business to Dutch-based insurer Aegon.

Peru buffeted by resignations

By Sally Bowen in Lima

With Peru's hostage crisis at the Japanese embassy now in its fifth month, the government of President Alberto Fujimori is also being buffeted by scandals and power struggles.

The resignations at the weekend of Gen Juan Briones, the long-serving interior minister, and Gen Ketin Vidal, the police chief, are the latest in a chain of events which has severely undermined government credibility.

An opinion survey by the respected Apoyo polling organisation shows that, for the first time in almost seven years, disapproval of Mr Fujimori outweighs approval. His support has fallen to 38 per cent of the population – down 10 points since the start of April – while those who disapprove have risen to 47 per cent.

The Tupac Amaru (MRTA) guerrillas who stormed the Japanese ambassador's residence on December 17 still hold 72 hostages, and there has beeu little apparent progress in reconciling their demands for release of jailed colleagues with the government's refusal to countenance freedom for those convicted on charges of terrorism.

General Briones tried to explain his resignation by saying he was – however belatedly – assuming political responsibility for the hostage-taking. Explanations for the departure of Gen Vidal, widely considered a national hero since he masterminded the capture in 1992 of Mr Abimael Guzman the Sendero Luminoso guerrilla leader, are still less convincing.

Peruvian public opinion has been convulsed by revelations of the killing of one female intelligence agent and the torture of another – apparently by the services for which they worked. The crimes bave revived the spectre of human rights violations by the security forces. The role of the president's shadowy chief security adviser, Mr Vladimiro Montesinos, is also again being questioned. Leaked tax returns show his earnings in 1995 were 75 times higher than in 1993.

AMERICAN NEWS DIGEST

Southwest top US carrier

Southwest Airlines was rated top US carrier for the second year in a row, according to the annual airline quality ratings published yesterday by two Midwest universities.

American Airlines and United Airlines were again placed second and third in the report by the School of Business at Wichita State University and the University of Nebraska at Omaha. Transworld Airlines was rated last out of the nine carriers surveyed.

The survey ranks carriers according to factors such as average age of fleet, on-time arrivals and departures, number of accidents, mishandled baggage and financial stability.

Following the top three airlines were Delta Airlines, Continental Airlines, Northwest Airlines, USAirways, formerly USAir, America West and TWA.

Mr Dean Headley of Wichita State University said: "We have three distinct groups in the airline industry this time. There's one airline that is clearly the leader, a group of five airlines that are good performers and are very competitive, and three airlines that are performing at a lower level." *Reuter, Washington*

Alarcón changes poll

Ecuador's interim president, Fabian Alarcón, may put his political future at risk in a referendum on May 25. On Sunday night, he said the first question would be split in two, allowing Ecuadoreans to vote separately to ratify Congress'a removal of former president, Mr Abdala Bucaram, and the appointment of Mr Alarcón in February.

The original draft would bave meant the two issues would be voted on together. A vote against Mr Bucaram would automatically have been a vote for Mr Alarcón. Some 78 per cent of Ecuadoreans had been expected to vote this way, according to the local polls. If they vote against him on May 25 Mr Alarcón has said he will accept their decision. *Justine Newsome, Quito*

Cigarettes 'safe as carrots'

Four top tobacco company executives have said under oath that smoking cannot kill, despite Liggett Group's admission a month ago that smoking is addictive and can cause cancer.

In private depositions given last week, the executives clung to long-held industry statements about the dangers of tobacco, according to transcripts and videotapes obtained by The Miami Herald.

The depositions were given in response to class-action lawsuits filed by Mr Stanley Rosenblatt, a Florida lawyer. Mr Rosenblatt talked to Mr James Morgan, president of Philip Morris; Mr Andrew Schindler, president of RJ Reynolds Tobacco; Mr Nick Brookes, chief executive of Brown and Williamson; and Mr Alexander Spears, chairman of Lorillard.

Mr Schindler said he did not believe tobacco was any more addictive than coffee or carrots. *AP, Miami*

Chrysler lay-offs rise

Chrysler workers in Mexico and Indiana were told not to return to work yesterday as the effects of an 11-day atrike at the company's Detroit engine plant continued to spread.

The latest lay-offs brought the number affected by the strike to 22,393. Fifteen Chrysler plants in the US, Canada and Mexico have been affected.

Talks continued in Detroit. Chrysler was refusing to back down on its right to farm out 300 UAW jobs to an independent supplier. Talks also continued in a 17-day strike at the General Motors assembly plant in Oklahoma City, where long hours are the top issue. *AP, Detroit*

Texaco victory in US oil tax fight

The US Supreme Court yesterday turned down a move by the government to force Texaco to pay at least $1bn more in taxes on Saudi Arabian oil that it sold between 1979 and 1981, AP reports from Washington.

The court rejected the government's argument that Texaco could be taxed on profits earned by its foreign snbsidiaries becanse of below-market pricing of Saudi oil.

A similar case involving Exxon awaits a final ruling in a lower court. The government said it was seeking a total of more than $5bn in taxes and interest from the two cases.

Texaco, Exxon and two other companies are partners in the Arabian American Oil Company (Aramco), formed in 1933 to find and export Saudi Arabian oil. From 1979 to 1981, Sandi Arabia set its oil price below the level sought by other Middle Eastern nations. Texaco and other companies which bought Saudi crude were barred from reselling it at a higher price.

However, once the oil was refined it could be resold at the higher rate. Therefore, Texaco snbsidiaries earned huge profits by bnying Saudi crude from Texaco at the low price, then selling refined prodncts at the higher market rate.

The Internal Revenne Service sought to force Texaco to pay taxes on $1.8bn in 1979-81 income earned by the foreign subsidiaries.

Texaco went to the federal Tax Court, which said the company could not be taxed on the extra profits. A court of appeal agreed, saying Saudi Arabia, not Texaco, created the policy that shifted the profits to the snbsidiaries.

Justice Department lawyers said the ruling offered "a hineprint for the evasion of United States taxes". The decision gave US companies an incentive to agree to such restrictions by foreign governments.

Texaco's lawyers said there was no evidence of collusion between Texaco and Sandi Arabia, and that the company could not be taxed on income it had been barred from receiving.

Concern in NZ at UK butter arrests

By Terry Hall in Wellington

Mr Lockwood Smith, New Zealand's international trade minister, expressed concern yesterday at the arrest of six butter company officials in London last week but said the government did not intend to become directly involved.

The minister also said that while Wellington would continue to support the industry, "it would be highly inappropriate for the government to interfere in the actual case before the UK courts".

He said officials were seeking further details to establish whether the case raised "any broad trade policy issues".

British Customs and Excise, acting on behalf of the European Union, arrested six officials from New Zealand's Dairy Board-owned Milk Products Holdings (UK) and its retail arm Anchor Foods on Friday. The six, who work for either the board or its subsidiaries, were charged with fraud amounting to £5.4m (US$8.8m).

The charges include allegations relating to New Zealand's butter quota and the duties on the quota. Butter within the quota pays a tariff of £340 a tonne, while that outside the quota faces a levy of £780 a tonne.

Sir Dryden Spring, chairman of the Dairy Board, last week said he was "astonished" by the arrests and said that the board would vigorously defend the charges.

Sir Dryden said the regulations governing butter imports left room for differences of opinion but added that the board had been working through these issues with the European Commission for the last six to eight months.

Mr Warren Larsen, Dairy Board chief executive, who flew to London after the arrests, said that the issues related to how the rules were interpreted and that the board had beenseeking clarification on the matter.

China 'more flexible' on WTO entry

By Tony Walker in Beijing

China has signalled greater flexibility over meeting conditions for entry to the World Trade Organisation, raising hopes that it may have entered the final stages of negotiations.

Mr Renato Ruggiero, director general of the WTO, said in Beijing that he had not "seen this flexibility at such a senior level in previous meetings".

Mr Ruggiero met Vice-Premier Li Lanqing, who is responsible for trade issues, and Madam Wu Yi, the Minister of Trade and Economic Co-operation. Madam Wu acknowledged the need to be more flexible, especially on market access issues.

WTO members are pressing China to open its economy further to foreign participation and are demanding Beijing agree to a timetable for market liberalisation, including undertakings on opening its services sector.

WTO negotiators reported significant progress at a meeting in Geneva in March of the working party on China's entry, but also said significant obstacles remained, such as Beijing's reluctance to accept agricultural imports. Beijing has given ground on issues such as trading rights and allowing foreign companies to compete in imports and exports, but has been reluctant to address such questions as subsidies to state industries.

Western governments, led by the US, now appear anxious that negotiations on China's entry be accelerated, but officials says Beijing will not be allowed into the WTO "at any price".

Tough bargaining will continue for several months in the run-up to the planned visit to the US in

China will not be let in 'at any price'

November of President Jiang Zemin for talks with President Bill Clinton. A timetable for China's entry is expected to emerge during the Washington talks.

China itself appears to have decided to push harder, and although it is still far from satisfying WTO entry requirements, it is exhibiting a greater willingness to compromise.

Negotiations will now focus heavily on transition arrangements for entry, with Beijing pressing for lenient terms and WTO members seeking faster liberalisation.

Vice-Premier Li is understood to have told Mr Ruggiero that China is committed to doing all it can to secure entry, but relatively generous transition arrangements would be required in some areas to ensure Beijing is able to live up to its obligations.

Madam Wu stressed that the WTO needed to give more weight to China's current development than to its potential.

Beijing is seeking maximum flexibility, on the basis that it is a developing country.

Mr Ruggiero, in a speech at Beijing university, entered a strong plea for China's entry to the WTO.

"China increasingly needs the opportunities and security of the WTO system to fulfil its huge potential for growth and development," he said, "and the WTO increasingly needs China as a full and active member to be a truly universal system."

"China's economic relations with the world are simply too large and too pervasive to manage effectively through a maze of arbitrary, shifting and unstable bilateral deals," he added. "China's best guarantee of coherent and consistent international trade policies is to be found inside the rules-based multilateral system."

EU hopes to put freight back on track

Charles Batchelor on plans to drive trains through red tape

A shipment of steel coils bound from the Netherlands for Italy by train involves crossing three borders – into Germany, Switzerland and Italy. At each, there is a wait of several hours while customs and other paperwork is completed.

Incompatible signalling and power systems, differences in safety procedures and changes of crews and locomotives at each border reduce high-speed trains to a crawl.

A project for freight "expresses" and European rail freight "freeways" could provide the answer to the panoply of problems associated with moving goods by rail through Europe.

Some observers doubt whether Europe's fragmented railways can meet an ambitious timetable for rapid freight expresses by early next year. But executives from the railway companies believe it can be done and European transport ministers are expected in June to approve the first freeway between either Hamburg or Rotterdam and Milan.

The railways believe that by giving priority to freight on the freeways, simplifying border controls and establishing a uniform means of charging for timetable "slots", average speeds could be raised and rail could win back some of the market lost to road. Between 1970 and 1994 rail lost half of its freight market share, falling from 32 to 16 per cent of the total.

The European transport commissioner, Mr Neil Kinnock, who launched the freight freeways project last July, sees them as part of a revitalised European railway network which is commercially viable and no longer dependent on big government subsidies.

The Community of European Railways (CER), which groups European Union members, Norway and Switzerland, last week presented its proposals for implementing Mr Kinnock's plan, including a network of 16 freight routes. It suggested the creation of "one-stop shops" to put together packages of prices, timetable "slots" and service levels for customers.

The freeways would encourage shippers to move goods by rail, leaving road haulage to provide the short initial and final stages of the journey. This would benefit the environment and Europe's congested road network.

Combined transport or "intermodal shipments" – involving road combined with rail movements of goods – are among the fastest growing areas of freight for many European railways. In France they account for 25 per cent of rail freight volumes while in the UK the opening of the Channel tunnel has made possible long-distance intermodal shipments to and from the Continent.

But formidable obstacles must be overcome. These include:

● The poor profitability of intermodal shipments. Intermodal transport is subsidised throughout Europe with, on average, journey lengths of 300km-500km necessary for even variable costs to be covered, according to Mr Helmut Draxler, director general of Austrian Railways and head of the CER's freeways project group.

Rail terminals require large and steady volumes of business to operate economically and there are relatively few routes where these conditions apply, warned Mr Stig Larsson, president of Swedish Railways.

The road haulage industry, with far lower infrastructure costs, sets the prices which rail must match. And while long-distance road haulage costs have fallen by 25 per cent in the past 25 years the cost of the short road movements to and from railheads have risen by 200 per cent, making intermodal shipments even less viable.

Many in the rail industry rest their hopes on a EU initiative to make all modes of transport, road as well as rail, bear the full costs, environmental and otherwise, of their activities.

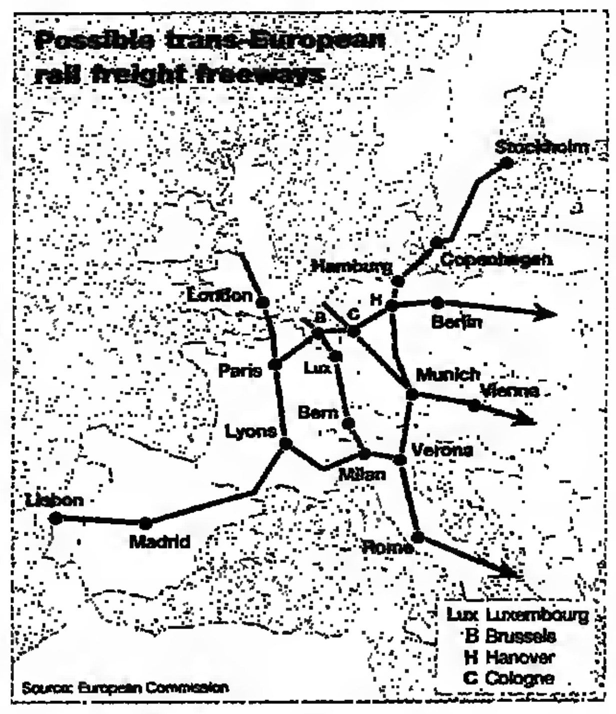
But a study carried out for the European Conference of Ministers of Transport, which is meeting in Berlin this week, suggests the outcome may not be as favourable to rail because rail freight operators do not currently cover all their infrastructure costs.

● The deregulation of the European road haulage industry, which has brought down road haulage costs. Increases in the size of trucks allowed on Europe's roads, a move away from levying road taxes according to the distance travelled to a fixed charge "vignette" and lax enforcement of violations such as overloading have all made life more difficult for rail.

● The insensitivity of many state-owned rail administrations to the concerns of freight customers. "International links leave a lot to be desired," said Mr Jacques Reinquin, logistics director in France for Hoechst, the German chemicals group. "There needs to be more respect for timetables, and information to customers on the progress of shipments is insufficient."

The automatic tracking of rail wagons, using lineside bar code readers or satellite positioning, is needed so that the railways and their customers know where a consignment is.

The US, where double-stacked container trains move cargoes over thousands of miles, is sometimes advanced as the model for European freight. But this ignores the shorter distances in Europe, the competition for timetable "slots" with passenger services and the restrictions on double-stacking imposed by overhead rail power lines.



Call for vehicle ruling irks Jakarta

By Manuela Saragosa in Jakarta

President Suharto of Indonesia yesterday criticised Japan for requesting a World Trade Organisation ruling over tax and tariff breaks granted to a company linked to the president's youngest son.

Indonesia's "national" car policy, which disadvantages established investors in the country's motor sector, has been the subject of WTO consultations between the European Union, the US and Japan. "Indonesia is disappointed with Japan's attitude, which does not accommodate our interests," the state secretary and presidential spokesman, Mr Moerdiono, said yesterday. He added that President Suharto had told officials to end bilateral talks with Japan on the issue but that Indonesia would not retaliate against Tokyo.

Timor Putra Nasional, a joint venture controlled by Mr Suharto's youngest son, Mr Hutomo Mandala Putra, and South Korea's Kia Motors, was granted tax and tariff breaks to build a "national" car early last year.

The concessions, not available to other manufacturers in the country, allow Timor Putra Nasional to undercut prices of models produced by Indonesian companies in joint-venture arrangements with Toyota, General Motors and other foreign partners.

Japan, the US and the EU have all said the policy violates Indonesia's WTO free trade commitments.

Indonesia has been trying to negotiate a settlement to avoid a WTO ruling, which most analysts expect will not be in its favour. Nevertheless, Mr Moerdiono said the programme would continue as usual, as a decision by a WTO panel was not expected until 1999.

If the WTO ruled against Indonesia, countries affected by the car policy could impose tariffs on Indonesian imports.

France to sign deal with Cuba

By Pascal Fletcher in Havana

France, one of Cuba's biggest trading partners in the EU, this week becomes the latest EU state to sign a bilateral investment protection accord with the communist-ruled island.

The investment promotion and protection agreement is due to be signed in Paris on Friday by Cuba's foreign investment minister, Mr Ibrahim Ferradaz. It follows a visit to Cuba this month by a French business delegation which announced a spread of investment projects, some under way, others being considered, in the island's sugar industry, electricity generation, food processing and other sectors.

Although the current level of French investment in Cuba is small, probably not more than $20m, the projects suggested growing interest from potential French investors despite the US Helms-Burton law, seeking to tighten Washington's 35-year economic embargo against the island.

"The fact that more than 30 French business executives are here visiting Cuba shows France's attitude to the US law," said Mr Jean Pierre Desgeorges, a vice-president of the French private business organisation CNPF International, who led the CNPF delegation, the third of its kind to Cuba in three years. At least five other EU states, including Spain, Italy, Britain and Germany, have investment protection agreements with Cuba.

During the French delegation's visit to Havana, Cuban President Fidel Castro inaugurated a joint venture bakery, Francuba, that will sell French breads and pastries in Cuba in hard currency.

Among other projects announced, French sugar trader Sucden, which has already been helping to finance Cuba's sugar harvest, was negotiating a possible $5m investment in a sugar mill/refinery in eastern Cuba.

French-Cuban trade in 1996 totalled $220m, $170m of it French exports.

Troubleshooter wins respect

Guy de Jonquières meets Stuart Eizenstat, US envoy on Cuba

As a former US ambassador to the European Union, Mr Stuart Eizenstat is no stranger to Europe. Since becoming President Bill Clinton's special Cuba envoy last year, he has got to know the continent even better, thanks to a gruelling schedule of transatlantic shuttle diplomacy which has sometimes meant visiting three European capitals in a day.

The purpose was to try to calm the international outcry over the US Helms-Burton anti-Cuba legislation. This month, Mr Eizenstat's efforts paid off when he and Sir Leon Brittan, Europe's trade commissioner, agreed a formula for settling the bitter US-EU dispute over the issue, which has threatened to undermine the World Trade Organisation.

Although the compromise could still fall apart, Mr Eizenstat's persistence and negotiating skill have confirmed him as one of the Clinton administration's ablest performers and fastest-rising stars – a reputation already earned by his deft trouble-shooting role in the Swiss Nazi gold affair.

His talent for negotiating deals on sensitive issues with foreign governments is matched by astuteness as a political operator at home. Particularly impressive was his success in selling the compromise with the EU to Senator Jesse Helms, arch-conservative chairman of the Senate foreign relations committee, who has agreed to consider amending the controversial law.

The personal respect Mr Eizenstat is said to have won from Mr Helms should ensure his promotion, from under-secretary of commerce to under-secretary for economic affairs at the State Department, is speedily confirmed by the Senate.

In his new job, which many in Washington see as a stepping-stone to an eventual cabinet post, the 54-year-old Mr Eizenstat is widely expected to play an influential role in shaping US international economic and trade policy.

He says he wants to "elevate the economic dimension of foreign policy", by pressing for trade liberalisation and supporting economic reforms in east and central Europe, in which he became interested while in Brussels. He also aims to involve US business in the peace process in places such as Bosnia and the Middle East.

Mr Eizenstat has brought to his government career, which began in President Lyndon Johnson's White House, a flair for creative personal initiatives. He is particularly proud of inspiring establishment of the body which set up Washington's museum commemorating victims of the Holocaust, in which some of his relatives died.

As US ambassador to the EU in the early 1990s, he played a pivotal role in promoting the back-room deals needed to conclude the Uruguay Round world trade agreement. He then persuaded Brussels and Washington to back his proposal to strengthen their ties by lowering their trade and investment barriers.

Eizenstat: efforts paid off

He believes the resulting transatlantic dialogue, which includes six-monthly US-EU summits, has proved its worth as a problem-solving forum. "We can sometimes get our backs up over things which are really gnats," he says. "We now have a context for dealing with tough bilateral issues, in which we don't need to scream at each other."

His time in Brussels made him a dedicated – though not uncritical – advocate of a stronger and more integrated Europe. "The good thing about Stu is that he understands the EU very well. That is the bad thing, too," says Mr Hugo Paemen, head of the European Commission delegation in Washington.

Mr Eizenstat also tempers his commitment to free trade with a hard-headed defence of national interest. He says the US can only undertake to keep its market open if other countries, notably high-flying east Asian economies, do more to dismantle barriers to US exports.

But reconciling personal convictions with the needs of his job is integral to his approach. Despite a soft-spoken, low-key manner, friends say he is driven by passionate commitments to the Democratic party, Jewish causes and the ethics and calling of public service.

"You are always a product of your values and upbringing," Mr Eizenstat says. "But in government work, you have to take a very objective and critical – almost a cold – look at issues and not let your emotions get the better of you."

Another of his rules is to reach decisions by letting all involved have their say and respecting genuine differences among them. "Living within constraints is what government is all about. We don't live in a perfect world, where we can just do whatever we want."

Foreign diplomats who have negotiated with Mr Eizenstat say he is as good as his word. They praise him for sensitivity to the political pressures which shape other governments' positions and the difficulties which limit their room for manoeuvre.

However, he is also ruthless about not letting the quest for consensus thwart his determination to achieve results. "Stu Eizenstat is a totally driven man," says a European ambassador. "Once he is convinced something needs to be done, he will do anything to remove obstacles."

Response to 'economic terrorism' is estimated to have cost businesses $32m

Bomb threats bring chaos to London

Financial Times Reporters in London

Bomb threats severely disrupted rail, road and air links in London and south-east England yesterday. What was presumed to be part of the Irish Republican Army pre-election campaign was estimated by one business organisation to have cost British industry at least £20m ($32.4m).

Responsibility for other recent bombs and bomb warnings on railways and main roads in northern England and the English Midlands has been claimed by the IRA.

Mr John Major, the prime minister, said of yesterday's incidents farther south: "It is essential to take these warnings seriously. The IRA have murdered in the past. They will not besitate to murder again if they thought it was in their interests to do so."

Mr Tony Blair, the opposition Labour party leader, said: "This a clear attempt by the IRA to disrupt the general election. We will not let them do so."

A series of coded telephone bomb threats left central London's King's Cross, St Pancras, Paddington and Charing Cross main railway stations closed for several hours and brought delays to flights at Gatwick and Stansted airports. Five London Underground railway stations were also closed.

Stretches of road in central London were closed, as were the M23 motorway and A23 main road near Gatwick. Traffic came to a standstill on many roads and there was a 15km jam at one point on the M25 orbital motorway. Ferries to and from the port of Dover on the south coast were also allghtly delayed as police checked a bomb warning.

The Freight Transport Association, representing bauliers and shippers, estimated the cost of the campaign of "economic terrorism", including yesterday's disruption, at about £20m. "This is having a massive impact," it said.

"Unfortunately we appear to be more vulnerable than other EU countries where a system of parallel road networks is more developed."

Security sources said that in the absence of specific intelligence, there is little that could effectively nentralise the IRA's campaign of hoaxes mixed with the occasional real bomb.

Reuters

Trafalgar Square: free of crowds yesterday in what would normally be the rush hour

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Flight delays at worst level since 1992

By Michael Skapinker, Aerospace Correspondent

Flight delays at the UK's six largest airports rose last year to their highest level since 1992, the Civil Aviation Authority said yesterday. The airports are London's Heathrow, Gatwick, Luton and Stansted, and Manchester and Birmingham.

Services at the six were delayed by an average of 14 minutes in 1996 compared with 12 minutes in each of the previous three years and 15 minutes in 1992. The authority said the figure was the average for all flights at the airports, not just for those that were delayed. This meant that passengers whose flights were disrupted experienced far worse delays than the average figures indicate.

Last year's figures were, however, a considerable improvement over 1989, wben flights were delayed by an average of 27 minutes.

London's four large airports all suffered their worst delays in scheduled flights since the early 1990s. Heathrow flights were delayed by 12 minutes, Gatwick by 15 minntes, Lnton by 14 minutes and Stansted by 11 minutes.

The average delay in scheduled flights at Birmingham airport was seven minntes, the worst since 1992. Manchester's figure of eight minutes was the airport's worst since 1991.

The airports' record on charters was mixed, although passengers on these flights experienced far worse delays than those on scheduled services.

The CAA said that the Eurostar cross-Channel railway service continued to take passengers away from airlines in its second year of operation. Air passenger numbers on the London-Paris route fell 12 per cent last year. Since 1994, when Eurostar began operating, the number of air passengers between London and Paris has fallen by a million.

Auditors examine 'mad cow' payments

By Alison Maitland in London

The National Andit Office in London and the European Court of Auditors are separately investigating UK government spending on the BSE – "mad cow" – crisis, it emerged yesterday.

The investigation by the audit office, parliament's public spending watchdog, follows opposition party complaints that large abattoirs "made a killing" from government payments for the destruction of all cattle aged more than 30 months.

Sir John Bourn, comptroller and auditor general, is studying the administration of the cull scheme, under which 1.4m cattle have been destroyed, and the separate slaughter of 100,000 animals most at risk of developing BSE.

His report, which is due by the end of the year, is also likely to consider how the government calculates and disburses aid payments to farmers, renderers and other sectors of the meat chain, arrangements for storage and incineration of carcases, and the system for obtaining refunds from the European Union.

The European Court of Anditors, which bas extensive investigative powers to ensure probity and valne for money, is looking at how EU finance for the beef crisis has been spent.

Mr Paul Tyler, the Liberal Democrat party's farming spokesman who has led calls for an inquiry into what be calls "the wasted BSE millions", welcomed the investigations. "The failure of ministers to put the cull programme out to competitive tender was a national scandal," be said.

Mr Tyler claimed Britisb taxpayers could have to pay between £300m ($486m) and £500m more for the crisis if EU funding for tbe cull scheme was withdrawn because of overpayments. The government has put the cost of the BSE crisis to 2000 at £3.3bn. The EU is funding 70 per cent of some programmes and the UK 80 per cent – but officials say the UK ends up paying the bulk of the total because the receipt of EU aid means it loses budget rebates.

The two inquiries are separate bnt National Andit Office staff will accompany officers from the European Court on some of their visits in the UK. Opposition politicians first called for an independent inquiry last August when the Financial Times revealed that abattoirs had been paid far more than their costs for the cull.

The small number of approved abattoirs were paid £87.50 per animal between May and August. The Intervention Board, the agency handling the slaughter, then reduced the price to £41 after a report on the actnal costs by Coopers & Lybrand, the accountants. Smaller abattoirs said they could have done the job for £30 to £35 per animal.

UK NEWS DIGEST

Lloyd's tightens auction rules

Lloyd's of London plans to carry out checks on 3,000 of its members this year as part of efforts to stamp out insider trading during new-style anctions for places on syndicates at the insurance market.

The auction system, introduced two years ago, is seen as an important means of enhancing the rights of "traditional" Names – individuals whose assets support underwriting at Lloyd's.

Several cases of alleged insider trading during the 1996 auctions are still being investigated by Lloyd's, which said yesterday it was introducing a tougher regulatory regime after consulting the Stock Exchange and Securities and Futures Authority. Lloyd's regulates itself under parliamentary law.

In addition to extending checks on professional members who might have access to privileged information, Lloyd's will require syndicate business plans to publish details of underwriters' service contracts. Altogether, there will be eight auctions this year, from early July to late September. *Christopher Adams, London*

■ FINANCIAL REGULATION

Broker fined record $405,000

City Equities, a penny share broker, yesterday faced a record £250,000 ($405,000) fine for cold calling and failing to warn clients about the risks of the shares it was selling. The fine is the largest ever imposed by Fimbra, the regulator in charge of financial advisers and brokers until it was absorbed into the Personal Investment Authority.

Fimbra said City Equities had admitted breaking six of its rules and had agreed to pay the fine and £30,906 of investigation costs.

The broker, which was formed in 1992 and is jointly owned by Mr Mark Rudland and Mr Philip Bass, made a profit of £194,000 after tax in the year ending November 1, 1995. At that point, it had ahareholders' funds totalling £268,000.

Mr Enver Zeqiri, City Equities' dealing manager, said the fine would be paid and would not affect the company's liquidity. *George Graham, London*

■ CAR INDUSTRY

Export production rises by 12%

Car production for export rose last month even though total output fell, government figures showed yesterday. Production for export rose by 12.3 per cent to 82,921 last montb compared with a year earlier and by 17.3 per cent to 260,778 in the first quarter.

Total output fell by 4.6 per cent last month compared with March last year to 141,869 units. However, total output in the first quarter remained 3.1 per cent ahead of the previous year at 435,916 units.

Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders, the industry association, blamed last month's fall on the levelling of new car sales in Britain in the past two months. Output of commercial vehicles fell by 3.7 per cent last month, year on year, to 20,860. *Haig Simonian, London*

■ BANKING TECHNOLOGY

'Uncertainty will affect spending'

Spending on dealing room hardware by investment banks is set to plunge in 1997 because of uncertainty over trends in both technology and financial markets, according to a survey by Kimsey Consulting, a research firm.

Kimsey Consulting, which surveyed 162 bank and brokerage operations in the City of London, forecasts that spending on dealing room systems, which was an estimated £1.1bn ($1.78bn) in 1996, will fall to £800m in 1997. Among other factors, respondents cited uncertainty over European monetary union and the rapid pace of technological progress, which is encouraging an IT policy of wait-and-see. *Nicholas Denton, London*

■ VENTURE CAPITAL

Start-ups attract more funds

UK venture capitalists continued to funnel record sums into management buy-outs and buy-ins last year. However, investment in start-up and other early stage companies – while representing a tiny proportion of the overall capital deployed – reached its highest since 1990.

Start-up and other early stage ventures, long shunned by much of the industry as too risky, attracted funding of £131m ($212.2m) spread over 225 deals last year, compared with £85m towards 185 financings in 1995, according to figures published by the British Venture Capital Association. Buy-out and buy-in funding amounted to £2.1bn, an increase of 33 per cent, and accounted for 74 per cent of total funds invested.

It is by far the most competitive sector of the market, with venture capital houses struggling to invest the large sums they have raised from institutional clients on the back of recent good returns. *Katharine Campbell, London*

Call centres 'at risk of domination from US'

By Alan Cane in London

The UK's fledgling call centre industry is experiencing teething problems which could cost it European leadership and open the door to US domination, new analysis suggests.

Mr John Orsmond, chairman of Advertising Research Marketing, a 20-year old marketing communications group, said customer dissatisfaction levels were high and that urgent remedial action was needed.

Mr Orsmond's findings will be a sharp warning to those who claim the explosion of call centres in the UK over the past few years – there are now between 4,000 and 5,000 – proves that a liberal telecoms regime and computer know-how can keep Britain at the forefront of modern commerce.

The call centre industry is growing at up to 50 per cent a year, but about 40 per cent of its capacity is owned by non-UK companies including Sitel and Matrixx of the US and Dimension Data Holdings of South Africa.

Call centres concentrate human operators, telephones and computer systems in single, often vary large, sites. The centres may be owned by the bost company or function as a bureau, servicing a number of clients.

The chief objective is to relieve clients of the burden of taking calls from, or making calls to, customers. Clients outsource their telephone chores to the centres. Centre operators typically work to a clearly defined script and are trained to use computers to build up marketing customer databases.

For example, British Telecommunications, the UK's largest telephone operator, earlier this month announced a £60m ($97.2m) investment in two new centres to promote the group's products and services.

Mr Orsmond complained, bowever, that too many centres are technically ill-equipped: only a handful, he said, were fitted ont with basic equipment such as operator headsets. Only 12 per cent used technology linking the telephone with the computer (computer-telephony integration). And compared with the US, UK centres were deficient in predictive analysts, statisticians capable of making sense of the masses of data gathered. "Clients and suppliers are drowning in information but starved of knowledge," be said.

Mr Orsmond is chiefly concerned about centres dealing with telephone calls generated from direct response advertising on television, wbere spending is rising steeply. He said they were too often poorly placed to deal with a flood of calls following a television advertisement leading to large numbers of abandoned or "lost" calls.

Mr John Shepbeard, UK general manager for the personal computer company Gateway 2000, which has built an 850-desk call centre in Dnblin, capital of tbe Republic of Ireland, said Ireland offered better resources than the UK. "I don't think the UK is noted for producing the multilingual operators we need," he said.

Mr Ewan Gowrie, cbairman of the year-old Call Centre Association based in Scotland, agreed that the industry was experieocing growing pains. He said a common problem was lack of communication between the client, the advertising agency and tbe call centre.

A television advert could generate huge response but forecasting was difficult: "There are not many call centres in the UK which can deal with 1,000 calls in a 10-minute peak," be said.

Commission president attacks anti-EU 'merchants of doom'

Leaders hit back at Santer

By Robert Peston, Political Editor

The general election campaign

Mr Jacques Santer, the European Commission president, faced a barrage of attacks from Conservative and Labour politicians in Britain last night after calling for greater European Union integration and implicitly denouncing UK Eurosceptics.

In a speech to the Association of European Journalists in Amsterdam, Mr Santer left little doubt that he had British Eurosceptics in his sights as he attacked "merchants of doom" intent on turning Europe into a free trade area.

"We have decided on our direction", said Mr Santer. "We have started to move forward again, so there is no point at all in keeping our feet on the brakes – indeed it is even dangerous."

Mr John Major, the prime minister, and Mr Tony Blair, the Labour leader, once again attempted to outbid each other over who would best stand up for UK interests in the EU, in an acknowledgement that hoth parties now helieve tbis issue is having an important influence on voting intentions.

Mr Major said in a bastily rewritten speech that "I will keep my feet on the hrakes" hut that Mr Tony Blair, Lahour's leader, would "put his foot on the accelerator to a federal Europe".

Mr Santer is said to have been appalled by Conservative jingoism which reached a climax last week with a campaign advertisement depicting Mr Tony Blair as a puppet on Chancellor Helmut Kohl's knee.

Senior aides insisted that Mr Santer was not taking sides in the UK election campaign, but was more generally worried ahout the drift of anti-European sentiment in other countries, particularly regarding economic and monetary union.

Although his description of Eurosceptics as "doom merchants" appeared aimed predominantly at the growing anti-EU faction in the Conservative party, Labour felt it could not ignore his intervention.

Mr Santer should "not be in any douht that a Labour government will make decisions based on British needs in the British national interest under the strong leadership of Tony Blair", said Mr Gordon Brown, Lahour's shadow chancellor of the exchequer.

Mr Brown's statement is the clearest confirmation of Labour anxiety that it cannot afford to appear too sympathetic to the EU. Several Labour frontbenchers admitted that the perception that the Conservatives have become more Eurosceptic is helping to win support among wavering voters.

"The issue has become more salient," said Mr Peter Mandelson, Labour's campaign manager. He said it was helping the Conservatives to shore up their core support, hut insisted that it was not determining the voting decisions of genuinely undecided people.

Mr Mandelson added that the party's polling thrust should be that the benefits of the Conservatives' Eurosceptic shift had been cancelled out hy the clear divisions throughout the party over the EU.

More news of the election campaign can be found at the Financial Times website http://www.FT.com

Miner's son Stuart Bell, who has been given responsibility for completing Labour's plans for the single European market, spent much of the 1970s as an international lawyer in Paris before becoming Labour MP for Middlesbrough in northern England. Mr Bell, now 58, is the party's shadow minister for trade and corporate affairs, a role which puts him at the forefront of Labour's policy on issnes including the review of joint and several liability for professionals promised in its manifesto. The award of a peerage last week to Peter Shore marked the departure from the House of Commons of one of the Labour party's fiercest opponents of European Integration. An MP for east London districts for almost 30 years, Lord Shore, who is now 72, held several cahinet posts in the Labour governments of the 1960s and 1970s and ended his career as a strongly Eurosceptic member of the Commons foreign affairs committee.

■ LAWYER'S ROLE

Stuart Bell

■ SCEPTICAL LORD

Peter Shore

Labour leader says he is 'a proud patriot'

By David Wighton in Manchester

Mr Tony Blair, leader of the Labour party, yesterday declared himself "a proud British patriot" and pledged to rebuild Britain's position in the European Union amid signs that the Conservatives were gaining ground on the European issue.

In a speech to an invited audience of diplomats, Mr Blair sought to give the impression that there were no significant policy differences between the two parties on Europe. "The real dividing line is between success and failure. The fundamental differences lie in party management, attitude and leadership," he said.

In an attack on Mr Major's leadership, Mr Blair contrasted his own record in transforming the Labour party with the prime minister's inability to hold the Conservatives together.

He said it was "hrazen effrontery" for Mr Major to say that only he could negotiate for Britain in Europe. "Mr Major cannot negotiate with authority, because he is without the authority to negotiate," Mr Blair said.

Altbough it had been planned for some time, tbe tone of the speech reflected Labour's concerns that the recent focus on Conservative divisions over Europe may have belped the governing party's popularity.

Labour strategists stressed the need to emphasise the similarity between the parties' policies towards Europe. "Once people know that we are offering a referendum too, there is no problem on Europe," said a senior official.

Omitting any reference to signing the European social chapter, to which the Conservatives are fiercely opposed, Mr Blair suggested there were no serious differences over policy. "We are opposed to a federal superstate – we will have none of that. We agree on the maintenance of the national veto in vital areas like tax and treaty change. We agree on the single market. We agree on our attitude to the single currency and the referendum."

Mr Blair hardened his position on a single currency, stressing the "formidahle obstacles" to Britain joining in the first wave.

Laying out Labour's priorities for reform of the European Union, Mr Blair said he would expect the declaration at the Amsterdam summit in June to cover completion of the single market, enlargement to the east, reform of the Common Agricultural Policy, promotion of labour market flexibility and foreign policy co-operation.

Single market is in party's sights

The election frontrunner has sent 150 pages of proposals to the European Commission

Lahour would make completion of the European Union single market in gas and electricity, telecommunications, public procurement and financial services a top priority if it wins the election, according to a 150-page document sent to Commissioners.

The document, sent to Sir Leon Brittan, vice-chairman of the Commission, and Mr Mario Monti, the commissioner responsible for the single market, follows the pledge by Mr Tony Blair, the Labour leader, that a Labour government would set a deadline for the completion of the single market of June 1998, the end of the British presidency.

The target might look ambitious given that even the ever-optimistic commission has set a deadline of December 1998. But the deadlines are more symbolic than real, according to Mr Stuart Bell, Labour's chief corporate affairs spokesman.

"In a sense the single market will never be completed because it is is a rolling process," says Mr Bell, who was asked by Mr Blair to prepare Lahour's single market plans. The document stresses the importance of ensuring that existing single market regulations are adopted and then enforced in all member states.

It backs recent proposals from Mr Monti to shame member states into complying with single market rules hy publicising the laggards. Labour also supports the call for more speedy and transparent enforcement procedures put forward by the Confederation of British Industry, the UK employers' lobby, in a recent submission to the Commission.

In the past few months, Mr Blair has had meetings with France's President Chirac, and the Dutch, Spanish, Portuguese and Irish leaders in which he has stressed the importance Lahour places on the single market. Labour claims that because it aims to take a less confrontational approach to Europe than the ruling Conservatives it will get a better response from other memher states on those issues which are important to the UK.

The party aims to seek an early review of the electricity directive and to have a gas liberation package ready in time for the UK presidency next year

"A Labour government would have more to trade," says Mr Bell. He adds that Labour would seek an early review of last year's electricity directive and try to ensure that a gas liberalisation package was on the table in time for the British presidency. In financial services, Mr Bell largely agrees with the Commission that further progress in removing barriers is more likely to be made through enforcement of existing regulations than through new legislation.

However, he says that Labour would support extensions of the directive on collective investment funds to ease the development of pan-European financial products. It would also back moves to improve the cross-border portability of pensions.

These are complex areas and the Labour leadership is aware that it will have little time after an election victory to refine its ideas. Less than three weeks after polling day there will be a key meeting of the single market ministers to consider the commission's draft plan for the Amsterdam summit in June.

The summit is widely seen as critical if a Labour government were to fulfil its ambitions for the single market under next year's UK presidency. "There needs to be a programme that the beads of government can sign up to. It needs to be packaged right and the political will re-energised," says one private sector single market expert.

Many countries, including Germany, continue to drag their feet over the single market. But Brussels officials believe a committed UK government, of either complexion, could give the project a big boost next year. Says one official: "The presidency could have a very significant impact if it puts the single market at the top of its agenda."

David Wighton

TECHNOLOGY

Genetically modified potatoes and the row over labelling foodstuffs highlight a continuing controversy

Suicidal spuds

One day farmers could be growing potatoes that know when they have had their chips. Transgenically altered "suicidal" potatoes could provide a respite from Late Blight disease, a parasitic fungus that poses the single biggest biological threat to world food production.

A century and a half after causing the famine that starved 1.5m people to death in Ireland, Late Blight (*phytophthora infestans*) is not only still around, but has mutated into even more destructive and aggresaive forms. It infests every continent except Australia and Antarctica, and causes the annual loss of 20 per cent of the global potato crop at a cost of $17bn.

Germany's Max Planck Institute for Plant Breeding in Cologne may have part of the solution. It has patented, and is cooducting field trials on, potatoes of the hypersensitive "cultivar bintje" variety. These altered tubers have been genetically programmed to enhance production of Barnase, a naturally occurring anti-fungal ribouucleic enzyme.

Reseerchers simply attach a "hara-kiri" gene encoded for production of this Barnase enzyme to the promoter of the plant gene. This promoter activates the plant's counter-offensives against the invading Late Blight by triggering the enzyme's production in the plant's leaves.

By destroying essential acids in cells surrounding the infected area, the enzyme helps the infected tnber create a buffer between the disease and the rest of the plant, while starving the invading fungus. Eventually part, or maybe all, of the potato would die, but the fungus will have been partly isolated.

"We don't yet know the real *field performance of these transgenic potatoes*," says Wolfgang Rohde, head of the institute's research group ou molacular genetics and plant breeding. "But from what we know, a transgenic potato could avert much of tha Late Blight, as the fungus on transgenic potatoes is severely inhibited in spore formation, and it is the spores by which tha fungus spreads in the potato fields and to neighbouring fields."

Now in its second year of field trials, the DM1m (£300,000) government-sponsored programme was interrupted last year by opponents of genetic engineering in plants. So The scheduled three full years of field experiments have been extended to the end of 1999.

Primarily assessing the engineered tubers' effects on soil micro-ecology, the trials also aim to confirm that the yield on *transformed potatoes will match* that of ordinary varieties.

"It might well work," says plant pathologist William Fry of New York's Cornell University, "but with other transgenic potatoes I've seen, the effects are not yet big enough for useful application. Still, if the effects of engineered plants are effective against Late Blight in Europe, I expect them to be effective in the US, even ageinst the new strains." Fry believes the fungus *will ultimately be suppressed* only through a combination of tactics including traditional breeding, molecular biology, biological control and fungicides.

Edward French, associate director for research at Peru's International Potato Centre in Lima, agrees: "Molecular or recombinant DNA work has great promise, but plant diseases are shifty enemies. It takes less than seven hours for one Late Blight generation to emerge from one *sporangium* [the hollow structure in which spores are produced]. So, even general resistance, which we and others are breeding for, will not be the complete answer."

Introduced to Europe from Peru in the 16th century, potatoes now form the world'a fourth-biggest food crop, with Russia and states of the former Soviet Union leading production. The fungus's spores easily overcome even the harshest winters in eastern Europe.

While plant pathologist Elena Vedenyapina of Moscow's Vavilov Institute is encouraged hy reports of the technology, she remains cautious about its practical applications. "Transgenic plants could reduce soil infection," she says, "but Late Blight is mostly an airborne disease infecting leaves, so we can't avoid fungicides."

Eventually, the suicidal potato technology may be used to fight other fungi and viruses while drastically cutting pesticide use.

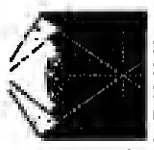
A licence on world rights for marketing the technology has heen given to Plant Geuetic Systems, a Belgian subsidiary of the German company AgrEvo. But AgrEvo says it is too early to make estimates on marketing strategy or cost to the individual growers, although controlling a disease genetically is almost always less costly than fighting pathogens with chemicals.

"The biggest challenge at this stage," says Rohde, "is to establish field-resistance data which would convince commercial potato breeders to invest in the establishment and the marketing of new varieties."

Bruce Dorminey

Viewpoint · Henry Miller

Warning: gene labelling may damage your food



If you were designing a label for food that needed, for safety reasons, to be handled or cooked in a certain way, what would it say? How about "Made in Belgium"?

No way, you say. Ridiculous and irrelevant, you say. You are right. Bnt that Is essentially what the Enropean Uuinu has mandated in a new rule on labelling "novel" foods, including those derived from organisms that are genetically altered with the most precise and sophisticated techniqnes of biotechnology. Such Is the stuff of political compromises.

A scientific couseusus makes the issue clear: the risks associated with the products of new biotechuology, or "gene-splicing," are fundameutally the same as for other products. Dozens of uew plant varieties modified with traditloual genetic engineering techniques, such as hybridisation, enter the marketplace each year without special labelliug. Mnreover, many are from "wide crosses", in which geoes have been moved from one species to another to create new varieties of plants that do not exist in nature.

While this may sound dramatic, the result is as mundane as a tomato that ia disease-resistant, or that has a thicker skin to withstand mechanical picking. These slight but important alterations in plants such as wheat, corn, rice, oats, tomatoes and potatoes have been an integral part of European and American diets for decades.

New biotechnology, says the consensus, lowers even further the already minimal risk associated with introducing new plant varieties into the food snpply. The use of the latest biotechnology techniques makes the final product even safer. It is now possible to introduce pieces of DNA that contain one or a few well-characterised genes, in contrast to older genetic techniques that transfer or modify a variable uumber of genes haphazardly.

Although the safety is exemplary, a few anti-technology advocacy groups hava pushed for labels that disclose the use of certain genetic engineering techniques – and they have found allies in the European parliament, These mandatory labels will add significantly to the cost nf processed foods made from fresh fruits and vegetables.

The precise costs will vary according to the product. But a company using a gene-spliced, higher-solids, less-watery tomato (more favourable for processing), for example, would have the additional costs of segregating the product at all levels of planting, harvesting, shipping, processing and distribution. Labels would probably have to appear on minestrone soup, indicating the presence of any gene-spliced tomato, potato or other products. The added productiou costs are a particular disadvantage to products in this competitive, low profit-margin sector, and are likely to relegate many gene-spliced prodncts to the status of expensive "boutiqne" foods.

The EU compromise was reached after five years of talks between a jnint committee of the European parliament and the EU Council of Ministers, which represents the 15 states. The council and the European Commission had preferred labelling only when the new food or ingredient was "significantly differeut" from its predecessors; but the parliament had its way, and labellIng will he reqnlred for "live" genetically modified prodncts – those that could, in theory, grow if put in soil, snch as tomatoes or potatoes.

The compromise has not mollified some. A technical amendment to the regulatiou adopted hy the European Commission on April 2 would require the labelling of seed products that will give rise to transgenic plants.

The European Novel Food Regulation, with or witbont the recent amendment, is irrelevant to puhlic health. A label that says "genetically modified" costs a lot to provide uo useful or material information to consumers.

Non-governmental mechanisms have proved adeqnate to provide labelling in situations where consumers want – and are willing to pay for – certain kinds of information. For example, private-sector groups oversee the lahelling nf foods that are "organic," or that meet Jewish dietary laws.

Apart from gene-splicing considerations, other parts of the regulation also fail to take scientific principles and precedents into account. For example, new varieties of wheat improved by the introduction of genes from hardy grasses, a common plant-improvement strategy, might be deemed "differeut in comparisou with a conventional food or food ingredient".

Uuder snch circnmstances, says the regulatiou, the varieties are "no longer equivalent" to pre-existing foods or ingredients, and would require special – and costly – labelling.

As often happens with political compromises hy poorly Informed, paternalistic politicians, the citizenry are compromised hy an outcome that makes ueither scientific uor economic sense. The unnecessary and arbitrary uovel food regulatiou constitutes, in effect, a tax on regulated prodncts or activities, which creates a potent disincentive to prodnct development and use.

Consumers, whose prices will be raised and cboices diminished by the regulatory tax, would be better served by industry spending its resources ou research and development to create hetter, safer prodncts. The EU agreement on labelling deserves a label of its own: "unscientific, misleading and mischievous".

The writer is a senior research fellow ot the Hoover Institution and a consulting professor at Stanford University's Institute for International Studies.

Clearer view of disease

Ophthalmologists in Europe will today get their first look at a new device that could treat eye diseases. Unlike many "promising" medical ideas, this one is already approved and should be launched over the next few weeks.

Vitrasert is a tiny plastic capsule that a aurgeon can insert into the eye. Any drug that fills the capsule leaks out over the next few months and has its effect locally.

It may not seem like much, hut Bal Dhillon, an ophthalmologist at Edinburgh Royal Infirmary, says: "People have beeu trying for many years to improve delivery of drugs to the eye and this is the first [new device] to become available."

There are two advantages to local delivery of eye drugs. The first is that drugs that have side-effects when injected or swallowed can be administered in tiny amounts.

The second is that the drug can have its effect in hard-to-get-at-places such as the retina. The alternative is a painful injectiou.

Vitrasert is approved only for treating CMV retinitis, a viral infection of the eye commou in Aids patients. The capsule contains ganciclovir, an anti-virus drug from Swiss company Roche. The capsule itself has been developed by US biotechnology company Chirou.

Dhillon says that researchers are already looking at using other drugs. Among them are materials that affect the growth of hlood vessels. Abnormal blood vessel growth is the cause of blindness in diabetics and macular degeneration, an eye disease mainly affecting older people.

Also on the drawing board are improvements on the capsule, which must removed when empty. A better alternative would be a biodegradable device, says Dhillon.

Daniel Green

BUSINESSES FOR SALE

Clare Bellwood 0171 873 3234 Fax 0171 873 3064 Melanie Miles 0171 873 4874

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIOANL ADVICE BEFORE ENTERING INTO COMMITMENTS

FRANCHISING

HOTELS & LICENSED PREMISES

BUSINESS SERVICES

CONTRACTS & TENDERS

THE GOVERNMENT OF THE ARGENTINE REPUBLIC
- Secretariat of Communications -

Privatisation of the concession of the services provided by the Argentine Postal Company

ENCOTESA

ENCOTESA, the Argentine state-owned company that carries out postal, financial and telegraphic services, is holding for a national and international public tender for the concession of its services.

The subject of the tender is a concession for 30 years to operate all the postal, financial and telegraphic services currently provided by ENCOTESA and such other services as it is authorized to provide.

Qualifying bidders must include technical assistance from a postal operator which must be a member of the UPU.

Enquiries regarding the privatisation process and the purchase of the terms of reference should be addressed to

Dr. Arturo Puricelli
Central Post Office
2nd Floor, Presidency Secretary's Office
(1000) Buenos Aires
Argentina (Phone: 54-1-312-8323. Fax: 54-1-315-1249)

Terms of Reference ("El Pliego") must be purchased for: $50,000 (fifty thousand Argentine pesos); equivalent to US$ 50,000 (US dollars fifty thousand).

The Central Post Office will be open to the public for the sale of the Terms of Reference and related. enquiries: As from April 14, 1997, to May 2, 1997.
Monday to Friday, 10:00 a.m. to 5 p.m.
Closing date for submission of Prequalification bids: 20 May 1997 at 3:00 p.m.

Closing date for submission of Financial bids: 28 July 1997 at 3:00 p.m.

Advisors to ENCOTESA:

Coopers & Lybrand

In Buenos Aires:
Messrs. Norberto Aguileiro or Federico Vovard Phone: 54-1-319-4639

In London:
Mssrs. John Dowson or Andrew Jordan - Phone: 44-171-213-4823/44-171-213-1073

ÁPV RT.
HUNGARIAN PRIVATIZATION AND STATE HOLDING COMPANY

INVITATION TO BID

The Hungarian Privatization and State Holding Company (hereinafter referred to as the „Caller" or „ÁPV Rt.") (1133 Budapest, Pozsonyi út 56.)

is announcing a two-round open pre-qualification tender
for purchasing the state-owned shares in
Kőolajkutató Rt.
(hereinafter referred to as the „Company")

(Szolnok, Kőrösi út 43.) (company registration number: 16-10-001539) in accordance with the following terms and conditions.

The Company's subscribed capital:	HUF 1,000,000,000
The Company's equity:	HUF 2,828,869,000 (according to the audited 1995 closing balance sheet)

Ownership structure
Current ownership structure*
(* Additional bearer shares with a HUF 50,860,000 nominal value are being issued to shareholding local governments at the time this tender is announced.)

ÁPV Rt.	HUF 982,330,000	98.23%
Local Governments	HUF 17,670,000	1.67%

2. Bids can be submitted for the share package consisting of registered and bearer shares with a nominal value of HUF 831,470,000, which represents 83.15% of the Company's registered capital, by specifying the bid price.
3. Bids must be submitted in Hungarian to the specified address in five counterparts (1 original and 4 copies) in sealed unlabeled envelopes marked „A" and „B," the contents of which are specified hereinafter in the Tendering Rules. Foreign bidders are entitled to submit their bids in English as well as in Hungarian, in which case the Hungarian bid is authoritative.
4. Bids must be submitted at the specified time in person or by proxy and in the presence of a notary public. Proxies must prove the legitimacy and degree of their authorization with notarized documents or private documents with full probative force. The notary public will inspect authorization. The Caller will ensure the presence of a notary public.

The following text must appear on the bid
„PÁLYÁZAT KŐOLAJKUTATÓ RT"

5. Bidders must mark the original counterpart „EREDETI" [Original]. Should a bidder fail to do so, the Caller will choose one of the counterparts to serve thereafter as the original counterpart. If there is any difference between the counterparts, the counterpart that is so marked will be authoritative.
6. Bids can be submitted on May 28, 1997 between 12:00 noon and 2:00 p.m. local time.

Bids are to be submitted at
Állami Privatizációs és Vagyonkezelő Rt.
Official Room
1133 Budapest, Pozsonyi út 56.
Sixth Floor, Room 650

The recipient will issue receipts to acknowledge the arrival of bids.

7. The purchase price must be paid in cash. The Caller will not accept deferred payment or payment by installment.

The detailed Tendering Rules contains the conditions for participating in the pre-qualification process and the additional bidding conditions.

The Caller would like to draw the bidders' attention to the fact that they must verify the existence of at least HUF 500 million in equity in the manner specified in the detailed Tendering Rules.

8. A commitment to the bid undertaken for ninety days from the time the bids are submitted is [illegible] bidding.
9. In order to prove the intent to purchase, bidders must, before submitting their bids, remit or transfer HUF 20 million to the account at MKB Rt. that ÁPV Rt. opened for receiving earnest money. (This account is indicated in the detailed Tendering Rules.) The Caller will handle this money in accordance with the regulations governing earnest money.
10. After the evaluation, the final decision will be made by the Caller on the basis of the [illegible] stipulated in the Tendering Rules. The Caller retains the right to declare the tender unsuccessful.
11. The Information Memorandum prepared by the Company, which contains [illegible] information that is important in terms of bidding, constitutes an inalienable part of the Tendering Rules. Purchase of the detailed bidding material, which includes the detailed Tendering Rules, for HUF 100,000 is a prerequisite [illegible]. A Confidentiality Statement must be signed in order to purchase the detailed bidding material. [illegible] purchase the bidding material by proxy, their bids must include their Confidentiality Statements. [illegible] consortiums, one of the members) must purchase the bidding material directly from the Caller in [illegible]. The Caller will issue a receipt as proof of purchase.

Proxies are obliged to prove the legitimacy and extent of their authority with [illegible] documents with full probative force. The Customer Service proceeding on behalf of the [illegible]

Information about the Company can be obtained from the persons at the numbers [illegible] at the Caller's headquarters once the Tendering Rules has been published.

ÁPV Rt.: Dr. Gábor Rácz
Telephone: 361-267-6666
Fax: 361-267-6667

Company: Ferenc Szécsi, [illegible]
Telephone: 3656-428602
Fax: 3656-420-693

CONTRACTS & TENDERS

BOTSWANA POWER CORPORATION
INVITATION TO TENDER
NORTH/SOUTH CARRIER WATER PROJECT - 1116/1
33/11kV SUPPLIES TO WATER TREATMENT PLANTS

The Arab Bank for Economic Development in Africa (BADEA) is supporting the funding of the North/South Carrier Water Project in Botswana. Part of this important project includes the provision of Electrical Power Supplies to the Water Treatment Plants. Therefore, the Botswana Power corporation invites tenders for the supply, delivery and erection of the following works.

Tender 1875/97 — 33/11 kV Supplies and Associated Equipment for the Treatment Plants at Palapye, Mahalapye and Mmamashia.

Tender documents may be inspected from 14 April 1997 at the offices of the Corporation's Consulting Engineer, A.R. Edwards and Associates, Plot 10231, Mokolwane Road, Broadhurst, Gaborone, on Telephone (+267) 312224 or Telefax (+267) 373174.

Tender documents will be available from 14 April 1997 and may be obtained from A.R. Edwards and Associates, Gaborone Office, on payment of US$30.00 (Thirty US Dollars) deposit for each set of tender documents. Cheques shall be made payable to Botswana Power Corporation and the amount paid will be refunded on receipt of a bonafide tender. The cost of shipping the documents to the prospective Tenderer shall be for the prospective Tenderer's own account.

Tenderers shall note that the prospective Main Contractor shall be Non-Botswana based to meet the requirements of BADEA.

Sealed tenders, endorsed with the title of the tender, shall be deposited in the Tender Box at the Head Offices of the Botswana Power Corporation, Motlakase House, Plot 1222, Industrial Sites, Macheng Way, Gaborone, Botswana, on or before the closing time and date as stated in the documents, when all tenders will be opened publicly. Alternatively, tenders may be sent, by express carrier, to arrive before the tender opening time and addressed to the Chief Executive Officer. However it must be noted that Telex or Telefax tenders will not be accepted.

K. Sithole
Chief Executive Officer,
Botswana Power Corporation

CONTRACTS & TENDERS

TENDER NO: 76/25

Mobarakeh Steel Company intends to purchase 120,000 kg of ferro niobium with the following chemical components:

NB =	63% - 67%	S	0.1%
TI	0.6%	C	0.15%
SI	1.5%	REST:	FE
P	0.2%	SIZE:	10-50 MM

Interested bidders may obtain a set of bidding documents by the submission of a written application and payment of non-refundable fee of USD500, in favour of Mobarakeh Steel Company, account No. 138, Bank Markazi, Tehran, and mail to the following address:

Mobarakeh Steel Company
75km Southwest of Isfahan, Mobarakeh Isfahan, Iran
Raw Materials Purchasing Department, PO Box: 67
Fax: 0098 (31)-327512 & 324324 Tel: 0098-3355-3707
TLX: 312524 & 312264 MSCO IR

All bids must be delivered to above office on or before 20/5/97

Mobarakeh Steel Company

ARMENIAN AIRLINES
EXPRESSIONS OF INTEREST

Armenian Airlines, the flag carrier of the Republic of Armenia, is reviewing its future fleet requirements and looking for banks or companies to arrange western-manufactured aircraft under operating leases.

The American Airlines' requirements for aircraft are:

• seating capacity	140-155
• capacity of cargo holds	36-40m³
• fuel consumption per hour	up to 3 tons
• minimum payload	15 tons
• speed	800 kmph
• minimum non-stop flight range	4000 km
• age of aircraft	up to 8 years old
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Fax: 374 2 151 393 / Tel: 374 2 280 225

Prospective organizations are requested to send their expression of interest latest by May 6, 1997

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ARTS

An over-riding old-fashionedness to it all: 'The Hero's Wife', 1957, by Fedor Kulaghin

Artists come in from the cold

Stalinist Art? Socialist Realism? It hardly matters, argues **William Packer**

Official Art, Academic Art, Modern Art – these are the shibboleths by which we habitually test the critical acceptability of the art of the modern period. Yet the truth is rather more complex and contradictory the more we look into it.

The great masters of the past, after all, were not always too fastidious in thair choice of patron. Michelangelo; Veronese; Rubens; Van Dyck; Velasquez; David: was there no element of the Official in what they did? And was it not Academic to a degree, only exceptionally so? Which is of course the point. We might no less legitimately claim that the work of the American abstract expressionists in the 1950s and '60s, Pollock, Rothko and their friends, which we now know to have been promoted by the CIA, was the Official Art of its time. And is not the work of younger British artists, from Hirst and Gormley to Whiteread and Hatoum, e new academy of its own?

No matter how much we might pride ourselves on the independence of our judgment, we are as conditioned and selective as ever. It is only a matter of luck that the great artists of modern times have been the product not of the state as such, but of that Academy of Modernism as it has been evolving and accepted. Just imagine the twist we would be in had Max Beckmann heen a Nazi, or *Picasso* come out for General Franco instead of Uncle Joe. Whoops.

On the other hand, just because no great art emerged from totalitarian Germany or Russia, it does not follow that it was without interest, or indeed merit. These are revisionist times but, even so, we still bave trouble in viewing anything done in Hitler's Germany with any degree of objectivity, fascinating though so much of it is. Its innate degeneracy, no less than Hitler himself intended with his famous show of degenerate modernism in *Munich in* 1937, must needs he hammered home, lest we wonder why it is on the wall at all.

With communist official art, whether Russian or Chinese, we are perversely inclined to he more indulgent. And with the collapse of communism in Russia, and the disavowal of Maoism and the Cultural Revolution in China, rather more of it has become available in the west. Just such a group of works from Russia, a field in which the gallery now specialises, is currently on show at Roy Miles's Gallery in Mayfair.

Almost all these paintings date from the time of Stalin and Brezhnev. They are for the most part large compositions, some more overtly polemic than others, along with some smaller working studies and oil sketcbes. A number of tbe artists are *still alive*, but *all* of them, alive or dead, were evidently trained in the old Beaux Arts tradition, innocent of the influence of modernism that Stalin so quickly suppressed and hid away.

The interest here lies in how far this work is Official, and how far Academic, for the two qualities are neither mutually exclusive, nor quite the same. The difference lies between the artists' being reliable, in the sense of not confounding expectation, and doing what they are told. And, here at least, how mild the polemic is.

Take away the red armband of the commissar beside the silver cups, and Tsvetkov's "The Finleh" (1947) could be that of any race, and popular picture-of-the-year at any 1950s salon or academy. It is only the title of Kulaghin's "Hero's Wife" (1957), her cheeks pink against the violet snow, that invites any narrative speculation. She could as well have been painted by any Nordic or Newlyn artist, a Zorn perhaps, or Anna Ancher, or Harold Harvey, at any time in the previous 70 years. Korban's "Kossacks" (1950) are simply horsemen setting out across the steppe. *As for* Bogomazov's *"Boxer"* (1954), and Sherbakov's lamp-lit "Mother and Son" (1990), they speak only of youthful vigour and maternal care.

In their Academic quality, most of these paintings are more charming or worthy than remarkable, though the studies hint at what might have been possible with less external inhibition – e wonderful quick sketch of a jetty on the Volga by Baranchеyev (1961); Tsvetkov's two studies of bystanders at the race. There is an over-riding old-fashionedness to it all, that is yet no bad thing. Ardimasov's "Forest Path", a standard Russian image of the way into a dark pine wood, caught in a golden *splash of light*, was painted only in 1995, but again could have been painted 100 years ago, and none the worse for that.

The one truly exceptional painting sits quite hy itself, e large portrait hy Leonid Tikhomirov (1969), of an aged peasant woman, Anastasia Stepanova, who holds her grandson between her knees. She sits, in her scarf and coat, before a grey, faintly patterned wall, with a row of family photographs high above her head. The composition is frontal and simple almost to the point of austerity, yet so firm and rich in the handling that the effect is quite contrary. It is a marvellous painting and work of art. Stalinist Art? *Socialist Realism?* It *hardly* matters.

Stalin and his Art: Roy Miles Gallery, 29 Bruton Street W1, until *May 20.*

Musical/**Alastair Macaulay**

Too winsome by half

The West End musical version of Neil Simon's New York romantic comedy is the least persuasive thing I have seen since Christine Hamilton said the other day on Sky News "I'm just a pussycat". It, too, offers a cultivated tale of private suffering carefully presented to appeal to a mass eudience.

Still, of the two, I prefer this. It is sentimental, cute, slick, energetic, and, if memory serves, I laughed six times. Best, it has Gary Wilmot. Sure, it is hard to believe that, as the actor Elliot Garfield, Wilmot's lifelong ambition has been to play Richard III with or without e hump. One of the few genuine stars in the West End, Wilmot has charm by the crate, and – whet is loveliest – he never wastes time basking in it. He is hrisk, spontaneous, and his manners to other characters onstage are exemplary. Everyone around him tends to turn *The Goodbye Girl* to winsome pulp, but he makes it seem almost real. He deserves a worthy vehicle, hut *The Goodbye Girl* will do until one comes along.

Many of us will remember *The Goodbye Girl* as e feel-good 1978 movie – Neil Simon's script was directed by Herbert Ross – on whose hlubbery shoulder we snuffled and chortled. Like most of Simon's work, it is a degenerate example, contrived and soppy, of the kind of American romantic comedy that had flourished best in the 1930s.

Paula, an ex-dancer with an 11-year-old daughter (Lucy), is the goodbye girl because one ector after another has loved her and dumped her. She is obliged to share an apartment with Elliot – another actor – and *is hostile to him from the* first. But cuteness will out. She softens, he pays attention, romance blooms on the rooftop, and, after one more minor blip, they have a happy ending. Marsha Mason's snub-nosed, teary-eyed, and husy adorahleness and Richard Dreyfus's brave and well-meaning cuddliness will be remembered in the leading roles.

This version has music by Don Black and lyrics by Marvin Hamlisch and plenty of Simon's original dialogue. By the time I hed left the theatre I had forgotten every song I had heard in it, but while I was there I didn't hate one of them. The rhymes are neither too stupid nor too clever, the vocal lines are more or less amiable, and the euthors heve the sense not to turn the *Richard III* production into a musical production number. (Unfortunately, they do turn an aerohics class that Paula attends into a big number: a low point of the show.)

As Paula, Ann Crumh is sometimes more interesting than Marsha Mason ever was: she is tougher, and we can believe that she has been dumped a few times. Most of the time, though, she overacts in e winsome musicel-comedy way: too much choreographed reaction, too much mugging. She is at her worst in the romance-on-the-roof scene, which the authors have turned into a big song-and-dance number, and where she expresses so much joy facially that no-one could believe she feels it for a moment.

I am usually a sucker for child performances: not here, however. As little Lucy, Lucy Evans does a shrewdly synthetic line in New York cuteness, and her two little girlfriends are even worse. The calculated mawkishness of the show shines most obviously through these three, especially when they sing. As the nosy landlady Mrs Croshy, Shezwae Powell does a campy and exaggerated black-*mama* act of the most obvious kind. Rob Bettinson directs. What kind of push-overs do he and the authors want their audiences to be? Too much here is predictable, artificial, trite. Only Wilmot takes the show, and us, seriously.

Albery Theatre, WC2.

Alastair Muir

Contrived soppiness: Ann Crumb and Gary Wilmot in Neil Simon'e 'The Goodbye Girl'

Theatre/**Ian Shuttleworth**

Cracked up in the Gulf

The first challenge which Daniel Hill's *Cracked* presents is in accepting that tbe best way of treating battleshocked soldiers is now believed to involve keeping them near the front: nip in the hud their feelings of guilt and post-traumatic stress towards their own families, runs the theory, by maintaining ties with their operational "family". The second challenge is in believing tbat the Battleshock Recovery Unit portreyed here in the midst of the Gulf War is any kind of advertisement for such an approach.

Hill presents us with an assortment of Medical Core psychiatric staff and Territorial medics with verying degrees of battle experience and readiness to adapt to their situation, camped by e desert munitions dump with no transport and no medication, expecting an influx of 100 patients a day and eventually treating a single Welsh Guardsman, plus one of their own number.

The characters are drawn from every class and every region of the UK, suggesting perhaps the excessive influence of Elvis Costello's line about "the boys from the Mersey and the Thames and the Tyne."

They launch at the drop of a gas mask into reveries about their home lives, be it *Sgt. Willy Davis's lifetime* of coming second (a fine performance hy Mark Hadfield) or Major Martin Cartlege's Job-like religious patience in bringing up an autistic son (an experience shared hy the playwright, whose hrother-in-law, moreover, was a military consultant psychiatrist during the Gulf conflict).

Despite an explicit reference to *Journey's End*, this aspect is more redolent of 1970s disaster movies in which each passenger on the airplane (or wherever) unpacks their emotional baggage. The play's main element, the "Fred Karno's army" comedy of shambles, places it somewhere between *M*A*S*H* and Dick Lester's film *How I Won The Wor* – I kept half expecting John Lennon to pop up and declare, "I'm excused El Alamein on eccount of me feet".

Terry Johnson supplies straightforward direction, and Robin Don's set creates a *convincing expanse of* desert in the small Hampstead space, together with an overhead screen on which are projected footage of Gulf War actuality and, bizarrely, snippets from *Andy Pandy*. However, neither these skills nor strong performances from the nine men in the cast succeeds in turning an interesting idea into a worthwhile, self-sufficient play.

Hampstead Theatre, London NW3, until May 17 (0171-722 9301).

A dark Tolstoy tale

Contemporary fringe theatre, which so often dramatises the lives of society's casualties, and Tolstoy's rarely performed *The Power of Dorkness* heve mnch in common: life for those with no money is a struggle; the urge to escape the poverty trap is constantly frustrated; morals can cost too much. But few contemporary dramatists would dare to take Tolstoy's didactic moral line, or to offer his view of Christian redemption.

The play, now absorbingly revived at the Orange Tree in Richmond, is set among the *peasants in Tolstoy's* Russia. He depicts one unhappy family, Piotr Ignatych and his second wife Anisya. Though relatively *rich as peasants go, the two* are daggers drawn, and there is no love lost either between Anisya and her stepdanghter Akulina. We soon learn that Anisya is having an affair with Nikita, her husband's handsome labourer. And one sin leads to another. Having embarked on adultery, Anisya is enticed into murder, while Nikita is seduced by Anisya's wealth into marrying her. Once wed, he follows through with drunken, dehanched hehaviour, further adultery (this time with the stepdaughter) and infanticide.

Tolstoy unwinds this *Macbeth*-like progress with slow, but riveting control; and he leaves us in no doubt of the hell of a *guilty conscience*. The Orange Tree cast convey this with great force: Katrina Levon's Anisya ricochets around the stage wallowing *in a combination of* self-pity and self-loathing; one of the most gripping moments is her ugly rejoicing at Nikita's grief when he joins her as a murderer. Dermot Kerrigan is excellent as Nikita. All swagger and easy charm to begin with, he slides first into *cocky bullying* and then a ghastly madness, when, after smothering his unwanted new-horn child, be is haunted by the sound of the baby's bones cracking. He even pulls off Nikita's difficult *volte face*, wben he decides to put an end to deceit and despair hy confessing his sins and begging God's forgiveness.

Yon cannot commend Tolstoy for his subtlety on this occasion, but his portrait of the peasants' gruelling, superstitious way of life is fascinating. Sean Holmes' production builds on this to create e set of characters all trepped hy circnmstance. Strangely, the most memorable characters are not the *central* ones bnt *Anyutka* (Leah Fletcher), Anisya's innocent young denghter, who sees and hears far more than she should have to, and *Nikita's mother, Matriona*. Colette O'Neil's Matriona is a marvellously malevolent creation, who urges people on to commit murder as if *she were shepherding them* off to bed. Splendid stuff.

Sarah Hemming

Orange Tree, Richmond to May 31 (0181-940-3633).

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

EXHIBITION

Tropenmuseum Tel: 31-20-5688215

● Ethiopisch Panorama. Kleurrijke Schilderijen van Qanna Sambata (1945-1991): exhibition of works by the Ethiopian painter Sambata, providing a view of daily life in the country with images of markets, weddings and religous processions; from Apr 24 to Aug 31

■ BARCELONA

EXHIBITION

Fundació la Caixa Tel: 34-3-4588907

● Oskar Schlemmer: this first retrospective of Schlemmer's work in Spain brings together a selection of works from all stages of his artistic career: Cubist paintings, works which present his ideas on theatre and dance, as well as drawings done from the window of his house during the period when the Nazis had labelled him degenerate and forbidden him to work. Also included are filmed reconstructions of the Ballet Triádico and the Bauhaus ballets; to Apr 27

■ BERLIN

CONCERT

Konzerthaus Berlin Tel: 49-30-203090

● Vogler Quartet: performs works by Schubert, Berg and Mozart; Apr 26

■ COLOGNE

EXHIBITION

Schnütgen Museum Tel: 49-211-2212310

● Beuys und das Mittelalter: exhibition axamining the influence of the Middle Ages on the work of artist Joseph Beuys; to Apr 27

■ HELSINKI

EXHIBITION

Helsinki City Art Museum Tel: 358-9-1692380

● Frida Kahlo: the first showing of Kahlo's work in Finland, including 150 paintings and 20 drawings and graphic works; to Apr 23

OPERA

Opera House Tel: 358-9-403021

● Fidelio: by Beethoven. Conducted by Paavo Berglund, performed by the Finnish Opera; Apr 24

■ LISBON

CONCERT

Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131

● *Orquestra Gulbenkian*: with conductor Stephen Kovacevich, performs works by Webern, Mozart and Brahms; Apr 25

■ LONDON

CONCERT

Barbican Hall Tel: 44-171-6384141

● *Royal Philharmonic Orchestra*: with conductor Sir Peter Maxwell Davies, violinist Tasmin Little and piccolo-player Stewart McIlwham, performs works by Mendelssohn, *Bruch, Davies and Sibelius*; Apr 25

Royal Festival Hall Tel: 44-171-9604242

● Vienna Philharmonic *Orchestra: with conductor Sir* Simon Rattle performs works by Haydn and R. Strauss; Apr 23

THEATRE

Savoy Theatre Tel: 44-171-8368888

● The Importanca of Being Oscar: Patrick Garland directs Simon Callow as drama queen Oscar Wilde in Michéal MacLiammóir's one-man show; to May 10

■ MUNICH

EXHIBITION

Haus der Kunst Tel: 49-89-211270

● *Carl Philipp Fohr: display of* work by the German Romantic painter, featuring 340 drawings and seven paintings, many never before exhibited. Fohr's life was cut tragically short when he drowned at the age of 22 and this is one of the most extensive *exhibitions of his work to be* mounted; from Apr 25 to Jul 20

■ NEW YORK

EXHIBITION

Brooklyn Museum Tel: 1-718-6385000

● A Different Reality: Symbolist Prints From the Collection: *exhibition featuring more than 80* works on paper from the late 19th and early 20th centuries. Different aspects of Symbolism are represented by artists including *Gauguin, Vuillard, Redon,* Whistler, Munch and Beardsley; to May 4

International Center of Photography Tel: 1-212-8601777

● *Helen Levitt: Crosstown:* retrospective of work by the American photographer, featuring 75 images, ranging from children at play in the 1940s to colour pieces from the 1970s and her recent black and white work, all portraying a vibrant city whera life is lived out on tha streets; from Apr 25 to Sep 7

OPERA

Metropolitan Opera House Tel: 1-212-3626000

● Faust: by Gounod. Conducted by Julius Rudel, performed by the Metropolitan Opera. Soloists include Richard Leech and Dwayna Croft; Apr 23

■ PARIS

CONCERT

Cité de la Musique Tel: 33-1-44844500

● Ensemble Intercontemporain: with conductor David Robertson, *percussionists Vincent Bauer* and Michel Cerutti and pianist Hidéki Nagano perform works by Messiaen; Apr 25

OPERA

L'Opéra de Paris Bastille Tel: 33-1-44731399

● Simon Boccanegra: by Verdi. Conducted by Carlo Rizzi, *performed by the Orchestre et* Choeurs de l'Opéra National de Paris. Soloists include Alexandru Agache, Miriam Gauci, Carlo Colombara and Sergei Larin; Apr 25

■ STRASBOURG

CONCERT

***Palais de la Musique et des* Congrès** Tel: 33-388-376767

● L'Orchestre Philharmonique da Strasbourg : with conductor Hubert Soudan and cellist Frans *Helmerson performs works by* Berlioz, Elgar, Debussy and Roussel; Apr 24, 25

■ VIENNA

EXHIBITION

Kunstforum der Bank Austria Tel: 43-1-5320644

● William Turner: retrospectiva exhibition devoted to the work of the British painter, with the main focus on the landscapes, seascapes and historical paintings *which Turner created throughout* his career; to Jun 1

■ WASHINGTON

CONCERT

Eisenhower Theater Tel: 1-202-4674600

● *National Symphony Orchestra:* with conductor Elizabeth Schulze and pianist Alexander Slobodyanik performs works by Stravinsky, Borodin and Tchaikovsky; Apr 24, 25, 26

EXHIBITION

Corcoran Gallery of Art Tel: 1-202-6383211

● The Peale Family: *Creation of* an American Legacy, 1770-1870: comprehensive exhibition of works by the Peale Family, *considered by many as America*'a first family of art. The exhibition develops three themes: the American family from 1770 to 1670, the contribution of art to *society, and the influence of* changing ideologies on art; from Apr 25 to Jul 8

■ ZURICH

DANCE

Opernhaus Zürich Tel: 41-1-268 6666

● Zürcher Ballett: performs "Aventures & Nouvelles Aventures", choreographed by Spoerli to music by Ligeti, and "In the Middle of Somewhat Elevated" choreographed by William Forsythe to music by Willems; Apr 25

***Listing selected and edited by* ArtBase The International Arts Database, Amsterdam, The Netherlands.** **Tel: 31 20 664 6441. E-mail: artbase@pl.net**

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Martin Wolf

A policy with no point

A minimum wage is at best irrelevant and at worst a menace – a modest one would not help the poor and a high one would increase unemployment

If Mr Tony Blair becomes prime minister less than two weeks from today, the UK is doomed to have a minimum wage. This policy is unlikely to do much good and could do barm. But everything depends on precisely how it will work.

The Labour manifesto merely states that: "tbere should be a statutory level beneath which pay sbould not fall – with the minimum wage decided not on the basis of a rigid formula but according to the economic circumstances of the time and with tbe advice of an independent low pay commission .... Introduced sensibly, the minimum wage will remove the worst excesses of low pay (and be of particular benefit to women), while cutting some of the massive £4bn benefits bill by which the taxpayer subsidises companies that pay very low wages."

Labour's vagueness, suspicion of tbe market and trust in committees are all unappealing. Yet the proposal must be analysed carefully. A minimum wage is the economic equivalent of a tax on employers whose proceeds are passed automatically to those who earned less than the minimum. The questions to be asked are:

- What effect will it bave on employment?
- What impact will it have on poverty?
- How will it interact with social benefits and taxes?
- How well can it be administered?

It has long been conventional wisdom among economists that minimum wages bave adverse effects on employment. However, two US labour economists, David Card and Alan Krueger (in the American Economic Review, 1994) came up with the opposite conclusion. After analysing the effects on jobs in the fast-food business of a rise in New Jersey's minimum wage that was not matched in neighbouring Pennsylvania, they concluded that the higher minimum wage increased New Jersey's employment, relative to Pennsylvania's.

The theoretical rationale is that if employers lower the wages they offer they will rarely lose all their employees. This means they can increase their profits hy lowering the wages they pay, even though their output and employment will also fall. If not set too high, a minimum wage can then raise employment: the supply of labour will rise, while the opportunity to extract monopsony profits, by lowering wages and employment, will disappear.

This is possible. But is it a convincing basis for policy?

The empirical validity of the work on New Jersey has been challenged. Certainly, it is difficult to believe fast-food businesses enjoy durable monopsony power over employees. More fundamentally, the degree of monopsony tbat employers enjoy over hamburger chefs must exist throughout the economy. If this justifies a wage control, logic would suggest tbe government sbould introduce wage or price controls wherever there is some monopoly power.

What can be conclnded from the empirical literature is that a modest minimum wage should at worst have only a small adverse effect on employment. For the UK, Sue Fernie and David Metcalf of the London Scbool of Economics (in Low Pay and Minimum Wages, Centre for Economic Performance, September 1996) conclude that "a national minimum wage set at the previous basic wages council rate ... uprated to 1996, would not have adverse employment effects". But that wage would only be around £3.20 an hour, far below what many want.

Whatever the effects on employment, wonld the minimum wage significantly reduce poverty? A modest minimum wage would certainly not have much impact. More important, as the chart shows, the largest proportional gains are enjoyed by people in the top half of the household income distribution.

As Holly Sutherland of Cambridge University explains (in A National Minimum Wage and In-Work Benefits, Employment Policy Institute, April 1997): most of the poorest people in the country have no earnings; many of those on low wages are married women and young adults who live with higher earners; and many low-earning families benefit from in-work means-tested benefits, which would fall if their earnings rose.

How then would the minimum wage fit into the welfare and tax systems? The answer is that any plausible minimum wage would fail to float many off means-tested benefits. A very high minimum wage would shift those who retained work out of benefit, but it would also create much more unemployment. The reason is that for many households the minimum wage would need to be as high as £7 or £8 an hour – roughly median male earnings.

If reasonable minimum wages would not float many out of poverty, what are their benefits? Labour's suggested answer is that it would lower the cost of subsidising 'had employers'. But the aim of in-work benefits is to separate the consumption people enjoy from the cost of offering them jobs. Unless there is no relation between wages and jobs, it is perfectly sensihle to subsidise low wages.

Ms Sutherland argues that among the most important beneficiaries would be tbe Treasury. If employment effects are ignored, a minimum wage of £3.40 an hour would have helped the Treasury to the tune of £1.2bn in 1995-96. A minimum wage of £4.30 would, she argues, raise this to £3.8hn. This seems wrong. A higher wage bill simply means lower real Incomes elsewhere in the economy. In particular, it means lower profits, whereupon taxes on profits would also fall.

The devil will be in the detail. If there has to be a minimum wage, it should be around £3 an hour, at which level it would have covered only some 2.6 per cent of men and 8.2 per cent of women, according to the Institute for Fiscal Studies. A minimum wage of £4.50 an hour, hy contrast, would cover 14.1 per cent of men and 37.6 per cent of women. This would greatly benefit those who kept their jobs, but probahly push many out of work.

Yet it would be naive to expect this degree of caution from Labour's proposed commission. Representatives of powerful employers do not necessarily have an interest in securing low wages. Trades unions do not represent the actually or potentially unemployed. The recommendation may well be for a minimum wage that is too high.

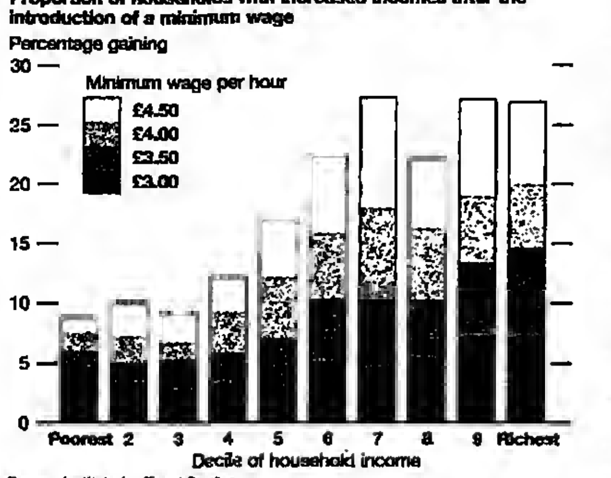
Administrative problems will also arise. Defining hourly earnings is not simple. What is to be done about tips, for example? Implementation will demand a snhstantial inspectorate. Meanwhile, the attraction of mutually rewarding illegal labour contracts will generate a black market in jobs at sub-minimum wages.

A modest minimum wage would, in short, offer little alleviation of poverty, while a really high one would increase unemployment. This is the core of the minimum wage dilemma: either it does little harm, hut also little good: or it does much good to some and much harm to others.

The fundamental features of existing British policy are right. A basic income is guaranteed to all willing to work, while labour costs are allowed to fall to levels attractive to employers. This hoth preserves the incentive to work and increases the opportunity to do so. What is needed, in addition, is a more skilled population capable of earning higher incomes in the market place. As for the minimum wage, it is at best irrelevant and at worst a menace.

Who gains most from minimum wages?

Proportion of households with increased incomes after the introduction of a minimum wage



Source: Institute for Fiscal Studies

A slave to all

Netanyahu is now beholden to his ministers and the minority parties, says Judy Dempsey

The first thing Mr Benjamin Netanyahu, the Israeli prime minister, did on Sunday when told he would not face charges by prosecntors over the appointment of Mr Roni Bar-On as attorney general was contact his ministers. His priority was to ensure there were no defections hy the five smaller parties in the Likud-led coalition, or by influential cabinet members such as Mr Dan Meridor, finance minister.

Netanyahu: off the hook

The report by Mrs Edna Arbel, the state attorney, and Mr Elyakim Rubinstein, the attorney general, on the alleged conspiracy to appoint Mr Bar-On said there were "good grounds to suspect an illegitimate motive [in the appointment]". It added that "the actions of the prime minister raised suspicions", and that "several of the parties did not co-operate and the impression was created that they did not divulge everything that they knew".

But by early yesterday, the coalition was intact. Mr Netanyahn had persuaded his ministers that while he had made mistakes, he had not been Involved in any criminal act.

The prime minister has emerged from the affair weakened and still more dependent on the support of the minority parties. However, there is a slim chance that Mr Netanyahu's personal weakness will strengthen the hands of cabinet ministers – and thus the effectiveness of the government – in facing the enormous challenges of the peace process and economic reforms.

Since coming to power 11 months ago, Mr Netanyahu has conducted a zig-zag policy on both issues, without consulting his ministers. He is hardly on speaking terms with Mr Meridor or Mrs Limor Livnat, the ambitious communications minister.

Instead, he relies on an entourage of 120 advisers who helped bring him to power and an inner circle of friends from the past.

"He never tells the ministers what he is thinking. He is obsessed with secrecy and loyalty," says a close aide to Mr Meridor.

This may soon change. He owes his survival to ministers such as Mr Meridor and Mrs Livnat and the leaders of the two smaller parties thought most likely to leave the coalition – Mr Natan Sharansky of the Russian immigrant party and Mr Avigdor Kahalani of the Third Way.

"Netanyahu now owes us something," says a member of Third Way. "He had better deliver because he will not have a second chance."

These ministers want an end to secrecy and a clear direction as to where the government is heading.

"We do not want Netanyahu promising one thing to one faction and another thing to someone else," says a senior finance ministry official. "We want a clear line on the peace process and the economy. Here is our chance to start afresh."

Mr Netanyahu has already promised more openness and consultation. The first decision he made after he was cleared of any criminal act was to set up a broad-based committee for appointments.

But no matter what Mr Netanyahu promises, he remains in the grip of the increasingly powerful nationalists and religious parties, particularly Shas, the ultra-Orthodox party.

As a result of the damning report on the alleged conspiracy tn appoint Mr Bar-On, Mr Aryeh Deri, the Shas leader, is to be charged for breach of trust, extortion and fraud. But his supporters are likely to demand more concessions in return for continuing to support Mr Netanyahu in tho Knesset.

Ever since taking on Shas as a partner last May, Mr Netanyahu has caved in to many of its demands. He supported the first reading of a Shas-initiated bill which recognises as Jews only those converted by Orthodox rahhis. This provoked fury in the US where there is recognition for conversions by the more liberal Reform and Conservative synagogues which supply most of the funds sent to Israel.

"No matter what Netanyahu will do, he will always be beholden to Shas and other religinua parties regardless of the fact that they do not recognise the state of Israel and have contempt for the institutions of a civil society, especially the judiciary," says a frustrated foreign ministry official.

"Society is moving way from the traditional left-right split to a society becoming increasingly polarised between secularists and religious with the latter, abetted by Netanyahu, gaining more power."

If Shas intends to continue its policy of extracting concessions in return for remaining in government, Likud nationalists will work even harder to derail the Oslo peace accords. Indeed, the fear among Palestinian negotiators is that having survived the Bar-On scandal, Mr Netanyahu will adopt a much tougher negotiating stance to galvanise his nationalist supporters.

"The next few weeks will show if we have a new more responsive and more responsible Netanyahu," a finance ministry official says. "I have my doubts. I hope they will not be vindicated."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Foreign direct investment in Poland is galloping ahead

From Mr Waldemar Dabrowski.

Sir, Your headline "Investors give eastern Europe a miss" (April 15) is certainly misleading as far as Poland is concerned. After a slow start, foreign direct investment in Poland is now galloping ahead, increasing at a rate of 50 per cent per annum, with American investors alone having more than $6bn in investments and commitments by the end of 1996.

When it comes to problems with crime and corruption, your own paper reported last year that Poland was in the "Top 25" least corrupt countries (according to an analysis of perceptions of corruption produced by Transparency International), ahead of all other post-communist countries, and even some EU members. Of course, making an investment in any foreign country is not easy, we don't pretend it is. The Polish civil service, evolved as it has, via communism, from the Habsburg system, can be complicated to deal with; but "arbitrary interference" such as you refer to has not been cited by investors as an issue in the recent research which we undertook into problems faced hy foreign investors in our country. Even throughout the desperately difficult "transition period", Polish civil society remained stable. Furthermore, its attitude towards foreign investors has become increasingly positive. The most recent data shows that more than 75 per cent of the Polish population recognise the benefits of FDI.

Indeed, since the Balcerowicz reforms of the early 1990s, successive Polish governments of varying political shades have acted decisively to overhaul the legal and fiscal system and return the country to international norms as a prelude to our forthcoming full membership of the EU.

Or perhaps, given these facts, it is time that Poland was included in "central and western Europe" rather than "central and eastern Europe"?

I do appreciate that the Financial Times consistently presents a well-balanced view of affairs in Poland, hut on this occasion I really did feel that a response was appropriate.

Waldemar Dabrowski,
president,
PAIZ,
Al. Roz 2,
00-559, Warsaw, Poland

Think not only of the numbers

From Mr Mike Bird.

Sir, The authors of the article, "Erosion of competence" (April 14), ask if readers agree that a greater emphasis on analytic skills would improve top management decision-making.

Of course it would. We, like they, believe that the quality of an organisation's critical thinking skills is the primary determinant of long-term success.

Without such skills, wrong decisions are made, problems stay unresolved, plans go awry.

We agree less with the authors' implicit contention that quantitative analytic skills should be a primary source of such critical thinking.

True, quantitative analysis does encourage goal-oriented, disciplined thinking. But while structured numeric thinking processes are worthwhile, structured management thinking processes are imperative.

In short, all the number-crunching in the world will not help if you are crunching the wrong numbers.

From Mr Mike Bird,
Kepner-Tregoe,
13-15 Victoria Street,
Windsor,
Berkshire SL4 1HB, UK

Enlightened sponsorship of musical talent

From Mr Clive Gillinson.

Sir, Referring to your leading article of April 11, "Making sure with Shell", the London Symphony Orchestra would like to pay tribute to the valuable and enlightened contribution that Shell has made to society as a whole over a great many years through the Shell/LSO Music Scholarship.

For the past 21 years Shell has sponsored this annual scholarship which has played such a vital part in the discovery and nurture of young British musical talent; there are today many soloists and leading orchestral players throughout the UK who owe a debt of gratitude to the generosity and imagination of Shell. The LSO is grateful to have been a partner in this scheme which has played such a significant role in British musical life.

Clive Gillinson,
managing director,
London Symphony Orchestra,
Barbican Centre,
London EC2Y 8DS, UK

'Big Bang' in UK's legal market will enhance its status

From Mr Michael Cassidy.

Sir, Should we be resisting the invasion of US lawyers reported in your news item "More US law firms rent space in City" (April 9)? Is there an interest in protecting professional firms based here in London? What, if anything, should the Law Society do about it?

I believe we are seeing a "Big Bang" in the legal market which mirrors, 10 years on, the same revolution in financial markets which brought so many overseas banks to London. London firms have benefited from the global reach of banks and securities houses based here. There are approaching 10,000 fee earners based in and around the City employed by the 20 largest firms who together speak for one-tenth of total legal activity in the UK. Their earnings contribute notably to the contribution of the service sector which now generates more wealth than manufacturing.

As a consequence all of the top 10 law firms in Europe are UK-based. Overseas branches of London firms can offer expertise in project finance as well as banking and London has a prime position in the shipping and insurance markets.

However, in world terms, 24 of the top 40 law firms are American and now they want to increase their presence in London.

I have no doubt that this is unequivocally a positive development for London. The US firms are recruiting large numbers of qualified lawyers here creating a much needed expansion in career opportunities for newly qualified staff. Sustained competition between leading firms produces value for money for the client and gives a spur to innovation. For the legal profession as a whole it also helps counteract the steady trend towards accountancy practices developing very large legal departments.

Having US as well as UK expertise based in London adds to its overall oppeal to international business, creating a possible scenario in the coming years of London perhaps being the only one-stop shop for the full range of international services at a sophisticated level in the world.

Michael Cassidy,
senior partner,
Maxwell Batley,
solicitors,
27 Chancery Lane,
London WC2A 1PA, UK

ARTS

Official Art, Academic Art, Modern Art – these are the shibboleths by which we habitually test the critical acceptability of the art of the modern period. Yet the truth is rather more complex and contradictory the more wa look into it.

The great masters of the past, after all, wera not always too fastidious in their choice of patron. Michelangelo; Veronese; Rubens; Van Dyck; Velasquez; David: was there no element of the Official in what they did? And was it not Academic to a degree, only exceptionally so? Which is of course the point. We might no less legitimately claim that the work of the American abstract expressionists in the 1950s and '60s, Pollock, Rothko and their friends, which we now know to have been promoted by the CIA, was the Official Art of its time. And is not the work of younger British artists, from Hirst and Gormley to Whiteread and Hatoum, a new academy of its own?

No matter how much we might pride ourselves on the independence of our judgment, we are as conditioned and selective as ever. It is only a matter of luck that the great artists of modern times have been the product not of the state as such, but of that Academy of Modernism as it has been evolving and accepted. Just imagine the twist we would be in had Max Beckmann been a Nazi, or Picasso come out for General Franco instead of Uncle Joe. Whoops.

On the other hand, just because no great art emerged from totalitarian Germany or Russia, it does not follow that it was without interest, or indeed merit. These are revisionist times but, even so, we still have trouble in viewing anything done in Hitler's Germany with any degree of objectivity, fascinating though so much of it is. Its innate degeneracy, no less than Hitler himself intended with his famous show of degenerate modernism in Munich in 1937, must needs be hammered home, lest we wonder why it is on the wall at all.

With communist official art, whether Russian or Chinese, we are perversely inclined to be more indulgent. And with the collapse of communism in Russia, and the disavowal of Maoism and the Cultural Revolution in China, rather more of it has become available in the west. Just such a group of works from Russia, a field in which the gallery now specialises, is currently on show at Roy Miles's Gallery in Mayfair.

An over-riding old-fashionedness to it all: 'The Hero's Wife', 1957, by Fedor Kulaghin

Artists come in from the cold

Stalinist Art? Socialist Realism? It hardly matters, argues William Packer

Almost all these paintings date from the time of Stalin and Brezhnev. They are for the most part large compositions, some more overtly polemic than others, along with some smaller working studies and oil sketches. A number of the artists are still alive, but all of them, alive or dead, were evidently trained in the old Beaux Arts tradition, innocent of the influence of modernism that Stalin so quickly suppressed and hid away.

The interest here lies in how far this work is Official, and how far Academic, for the two qualities are neither mutually exclusive, nor quite the same. The difference lies between the artists' being reliable, in the sense of not confounding expectation, and doing what they are told. And, here at least, how mild the polemic is.

Take away the red armband of the commissar beside the silver cups, and Tsvetkov's "The Finish" (1947) could be that of any race, and popular picture-of-the-year at any 1950s salon or academy. It is only the title of Kulaghin's "Hero's Wife" (1957), her cheeks pink against the violet snow, that invites any narrative speculation. She could as well have been painted by any Nordic or Newlyn artist, a Zorn perhaps, or Anna Ancher, or Harold Harvey, at any time in the previous 70 years. Korban's "Kossacks" (1950) are simply horsemen setting out across the steppe. As for Bogomazov's "Boxer" (1954), and Sherbakov's lamp-lit "Mother and Son" (1990), they speak only of youthful vigour and maternal care.

In their Academic quality, most of these paintings are more charming or worthy than remarkable, though the studies hint at what might have been possible with less external inhibition – a wonderful quick sketch of a jetty on the Volga by Baranchayev (1961); Tsvetkov's two studies of bystanders at the race. There is an over-riding old-fashionedness to it all, that is yet no bad thing. Ardimasov's "Forest Path", a standard Russian image of the way into a dark pine wood, caught in a golden splash of light, was painted only in 1995, but again could have been painted 100 years ago, and none the worse for that.

The one truly exceptional painting sits quite by itself, a large portrait by Leonid Tikhomirov (1969), of an aged peasant woman, Anastasia Stepanova, who holds her grandson between her knees. She sits, in her scarf and coat, before a grey, faintly patterned wall, with a row of family photographs high above her head. The composition is frontal and simple almost to the point of austerity, yet so firm and rich in the handling that the effect is quite contrary. It is a marvellous painting and work of art. Stalinist Art? Socialist Realism? It hardly matters.

Stalin and his Art: Roy Miles Gallery, 29 Bruton Street W1, until May 20.

Musical/Alastair Macaulay

Too winsome by half

The West End musical version of Neil Simon's New York romantic comedy is the least persuasive thing I have seen since Christina Hamilton said the other day on Sky News "I'm just a pussycat". It, too, offers a cultivated tale of private suffering carefully presented to appeal to a mass audience.

Still, of the two, I prefer this. It is sentimental, cute, slick, energetic, and, if memory serves, I laughed six times. Best, it has Gary Wilmot. Sure, it is hard to believe that, as the actor Elliot Garfield, Wilmot's lifelong ambition has been to play Richard III with or without a hump. One of the few genuine stars in the West End, Wilmot has charm by the crate, and – what is loveliest – he never wastes time basking in it. He is brisk, spontaneous, and his manners to other characters onstage are exemplary. Everyone around him tends to turn *The Goodbye Girl* to winsome pulp, but he makes it seem almost real. He deserves a worthy vehicle, but *The Goodbye Girl* will do until one comes along.

Many of us will remember *The Goodbye Girl* as a feel-good 1978 movie – Neil Simon's script was directed by Herbert Ross – on whose blubbery shoulder we snuffled and chortled. Like most of Simon's work, it is a degenerate example, contrived and soppy, of the kind of American romantic comedy that had flourished best in the 1930s.

Paula, an ex-dancer with an 11-year-old daughter (Lucy), is the goodbye girl because one actor after another has loved her and dumped her. She is obliged to share an apartment with Elliot – another actor – and is hostile to him from the first. But cuteness will out. She softens, he pays attention, romance blooms on the rooftop, and, after one more minor blip, they have a happy ending. Marsha Mason's snub-nosed, teary-eyed, and busy adorableness and Richard Dreyfus's brave and well-meaning cuddliness will be remembered in the leading roles.

This version has music by Don Black and lyrics by Marvin Hamlisch and plenty of Simon's original dialogue. By tha tima I had left the theatre I had forgotten every song I had heard in it, but while I was there I didn't hate one of them. The rhymes are neither too stupid nor too clever, the vocal lines are more or less amiable, and the authors have the sense not to turn the *Richard III* production into a musical production number. (Unfortunately, they do turn an aerobics class that Paula attends into a big number: a low point of the show.)

As Paula, Ann Crumb is sometimes more interesting than Marsha Mason ever was; she is tougher, and we can believe that she has been dumped a few times. Most of the time, though, she overacts in a winsome musical-comedy way: too much choreographed reaction, too much mugging. She is at her worst in the romance-on-the-roof scene, which the authors have turned into a big song-and-dance number, and where she expresses so much joy facially that no-one could believe she feels it for a moment.

I am usually a sucker for child performances: not here, however. As little Lucy, Lucy Evans does a shrewdly synthetic line in New York cuteness, and her two little girlfriends are even worse. The calculated mawkishness of the show shines most obviously through these three, especially when they sing. As the nosy landlady Mrs Crosby, Shezwae Powell does a campy and exaggerated black-mama act of the most obvious kind. Rob Bettinson directs. What kind of push-overs do he and the authors want their audiences to be? Too much here is predictable, artificial, trite. Only Wilmot takes the show, and us, seriously.

Albery Theatre, WC2.

Alastair Muir

Contrived soppiness: Ann Crumb and Gary Wilmot in Neil Simon's 'The Goodbye Girl'

Theatre/Ian Shuttleworth

Cracked up in the Gulf

The first challenge which Daniel Hill's *Cracked* presents is in accepting that the best way of treating battleshocked soldiers is now believed to involve keeping them near the front: nip in the bud their feelings of guilt and post-traumatic stress towards their own families, runs the theory, by maintaining ties with their operational "family". The second challenge is in believing that the Battleshock Recovery Unit portrayed here in the midst of the Gulf War is any kind of advertisement for such an approach.

Hill presents us with an assortment of Medical Core psychiatric staff and Territorial medics with varying degrees of battle experience and readiness to adapt to their situstion, camped by a desert munitions dump with no transport and no medication, expecting an influx of 100 patients a day and eventually treating a single Welsh Guardsman, plus one of their own number.

The characters are drawn from every class and every region of the UK, suggesting perhaps the excessive influence of Elvis Costello's line about "the boys from the Mersey and the Thames and the Tyne."

They launch at the drop of a gas mask into reveries about their home lives, be it Sgt. Willy Davis's lifetime of coming second (a fine performance by Mark Hadfield) or Major Martin Cartlege's Job-like religious patience in bringing up an autistic son (an experience shared by the playwright, whose brother-in-law, moreover, was a military consultant psychiatrist during the Gulf conflict).

Despite an explicit reference to *Journey's End*, this aspect is more redolent of 1970s disaster movies in which each passenger on the airplane (or wherever) unpacks their emotional baggage. The play's main element, the "Fred Karno's army" comedy of shambles, places it somewhere between *M*A*S*H* and Dick Lester's film *How I Won The War* – I kept half expecting John Lennon to pop up and declare, "I'm excused El Alamein on account of me feet".

Terry Johnson supplies straightforward direction, and Robin Don's set creates a convincing expanse of desert in the small Hampstead space, together with an overhead screen on which are projected footage of Gulf War actuality and, bizarrely, snippets from *Andy Pandy*. However, neither these skills nor strong performances from the nine men in the cast succeeds in turning an interesting idea into a worthwhile, self-sufficient play.

Hampstead Theatre, London NW3, until May 17 (0171-722 9301).

A dark Tolstoy tale

Contemporary fringe theatre, which so often dramatises the lives of society's casualties, and Tolstoy's rarely performed *The Power of Darkness* have much in common: life for those with no money is a struggle; the urge to escape the poverty trap is constantly frustrated; morals can cost too much. But few contemporary dramatists would dare to take Tolstoy's didactic moral line, or to offer his view of Christian redemption.

The play, now absorbingly revived at the Orange Tree in Richmond, is set among the peasants in Tolstoy's Russia. He depicts one unhappy family, Piotr Ignatych and his second wife Anisya. Though relatively rich as peasants go, the two are daggers drawn, and there is no love lost either between Anisya and her stepdaughter Akulina. Wa soon learn that Anisya is having an affair with Nikita, her husband's handsome labourer. And one sin leads to another. Having embarked on adultery, Anisya is enticed into murder, while Nikita is seduced by Anisya's wealth into marrying her. Once wed, be follows through with drunken, debauched behaviour, further adultery (this time with the stepdaughter) and infanticide.

Tolstoy unwinds this *Macbeth*-like progress with slow, but riveting control; and he leaves us in no doubt of the hell of a guilty conscience. The Orange Tree cast convey this with great force: Katrina Levon's Anisya ricochets around the stage wallowing in a combination of self-pity and self-loathing; one of the most gripping moments is her ugly rejoicing at Nikita's grief when ha joins her as a murderer. Dermot Kerrigan is excellent as Nikita. All swagger and easy charm to begin with, ha slides first into cocky bullying and then a ghastly madness, when, after smothering his unwanted new-born child, he is haunted by the sound of the baby's bones cracking. He even pulls off Nikita's difficult *volte face*, when he decides to put an end to deceit and despair by confessing his sins and begging God's forgiveness.

You cannot commend Tolstoy for his subtlety on this occasion, but his portrait of the peasants' gruelling, superstitious way of life is fascinating. Sean Holmes' production builds on this to create a set of characters all trapped by circumstance. Strangely, the most memorable characters are not the central ones but Anyutka (Leah Fletcher), Anisya's innocent young daughter, who sees and hears far more than she should have to, and Nikita's mother, Matriona. Colette O'Neil's Matriona is a marvellously malevolent creation, who urges people on to commit murder as if she were shepherding them off to bed. *Splendid stuff.*

Sarah Hemming

Orange Tree, Richmond to May 31 (0181-940-3633).

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Tropenmuseum Tel: 31-20-5688215
● Ethiopisch Panorama. Kleurrijke Schilderijen van Qanna Sambata (1945-1991): exhibition of works by the Ethiopian painter Sambata, providing a view of daily life in the country with images of markets, weddings and religous processions; from Apr 24 to Aug 31

■ BARCELONA

EXHIBITION
Fundació la Caixa Tel: 34-3-4588907
● Oskar Schlemmer: this first retrospective of Schlemmer's work in Spain brings together a selection of works from all stages of his artistic career: Cubist paintings, works which present his ideas on theatre and dance, as well as drawings done from the window of his house during the period when the Nazis had labelled him degenerate and forbidden him to work. Also included are filmed reconstructions of tha Ballet Triádico and the Bauhaus ballets; to Apr 27

■ BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Vogler Quartet: performs works by Schubert, Berg and Mozart; Apr 26

■ COLOGNE

EXHIBITION
Schnütgen Museum Tel: 49-211-2212310
● Beuys und das Mittelalter: exhibition examining tha influence of the Middla Ages on the work of artist Joseph Beuys; to Apr 27

■ HELSINKI

EXHIBITION
Helsinki City Art Museum Tal: 358-9-1692380
● Frida Kahlo: the first showing of Kahlo's work in Finland, including 150 paintings and 20 drawings and graphic works; to Apr 23

OPERA
Opera House Tel: 358-9-403021
● Fidelio: by Beethoven. Conducted by Paavo Berglund, performed by the Finnish Opera; Apr 24

■ LISBON

CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Orquestra Gulbenkian: with conductor Stephen Kovacevich, performs works by Webern, Mozart and Brahms; Apr 25

■ LONDON

CONCERT
Barbican Hall Tal: 44-171-6384141
● Royal Philharmonic Orchestra: with conductor Sir Peter Maxwell Davies, violinist Tasmin Little and piccolo-player Stewart McIlwham, performs works by Mendelssohn, Bruch, Davies and Sibelius; Apr 25
Royal Festival Hall Tel: 44-171-9604242
● Vienna Philharmonic Orchestra: with conductor Sir Simon Rattle performs works by Haydn and R. Strauss; Apr 23

THEATRE
Savoy Theatre Tel: 44-171-8368888
● The Importance of Being Oscar: Patrick Garland directs Simon Callow as drama queen Oscar Wilde in Michéal MacLiammóir's one-man show; to May 10

■ MUNICH

EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Carl Philipp Fohr: display of work by the German Romantic painter, featuring 340 drawings and seven paintings, many never before exhibited. Fohr's life was cut tragically short when he drowned at the age of 22 and this is one of tha most extensive exhibitions of his work to be mounted; from Apr 25 to Jul 20

■ NEW YORK

EXHIBITION
Brooklyn Museum Tel: 1-718-6385000
● A Different Reality: Symbolist Prints From the Collection: exhibition featuring more than 80 works on paper from the late 19th and early 20th centuries. Different aspects of Symbolism are represented by artists including Gauguin, Vuillard, Redon, Whistler, Munch and Beardsley; to May 4
International Center of Photography Tel: 1-212-8601777
● Helen Levitt: Crosstown: retrospective of work by the American photographer, featuring 75 images, ranging from children at play in the 1940s to colour pieces from the 1970s and her recent black and white work, all portraying a vibrant city where life is lived out on the streets; from Apr 25 to Sep 7

OPERA
Metropolitan Opera House Tel: 1-212-3626000
● Faust: by Gounod. Conducted by Julius Rudel, performed by the Metropolitan Opera. Soloists include Richard Leech and Dwayne Croft; Apr 23

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1-44844500
● Ensemble Intercontemporain: with conductor David Robertson, percussionists Vincent Bauer and Michel Cerutti and pianist Hidéki Nagano perform works by Messiaen; Apr 25

OPERA
L'Opéra de Paris Bastille Tel: 33-1-44731399
● Simon Boccanegra: by Verdi. Conducted by Carlo Rizzi, performed by the Orchestre et Choeurs de l'Opéra National da Paris. Soloists includa Alexandru Agache, Miriam Gauci, Carlo Colombara and Sergei Larin; Apr 25

■ STRASBOURG

CONCERT
Palais de la Musique et des Congrès Tel: 33-388-376767
● L'Orchestre Philharmonique de Strasbourg : with conductor Hubert Soudan and cellist Frans Helmerson performs works by Berlioz, Elgar, Debussy and Roussel; Apr 24, 25

■ VIENNA

EXHIBITION
Kunstforum der Bank Austria Tel: 43-1-5320644
● William Turner: retrospective exhibition devoted to the work of the British painter, with the main focus on tha landscapes, seascapes and historical paintings which Turner created throughout his career; to Jun 1

■ WASHINGTON

CONCERT
Eisenhower Theater Tal: 1-202-4674600
● National Symphony Orchestra: with conductor Elizabeth Schulze and pianist Alexander Slobodyanik performs works by Stravinsky, Borodin and Tchaikovsky; Apr 24, 25, 26

EXHIBITION
Corcoran Gallery of Art Tel: 1-202-6383211
● The Peala Family: Creation of an American Legacy, 1770-1870: comprehensive exhibition of works by tha Peale Family, considered by many as America's first family of art. The exhibition develops three themes: the American family from 1770 to 1870, the contribution of art to society, and the influence of changing ideologies on art; from Apr 25 to Jul 6

■ ZÜRICH

DANCE
Opernhaus Zürich Tel: 41-1-268 6666
● Zürcher Ballett: performs "Aventures & Nouvelles Aventures", choreographed by Spoerli to music by Ligeti, and "In the Middle of Somewhat Elevated" choreographed by William Forsythe to music by Willems; Apr 25

Listing selected and edited by ArtBase The International Arts Database, Amsterdam, The Netherlands.
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European Money Wheel

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Financial Times Business Tonight

FINANCIAL TIMES
Tuesday April 22 1997

Wariness in Hong Kong as Chinese troops cross border

By John Ridding in Hong Kong

Light on weapons, but loaded with aymbolism, an advance guard of troops from China's People's Liheration Army crossed the Chinese border yesterday and took up position in the Prince of Wales Barracks in Hong Kong.

Major-General Zhoo Borong and his 40-strong unit are the first PLA troops ever stationed in the territory. Their mission, to prepare the ground for several thousand comrades, marks the most tangible step so far in the territory's return to Chinese sovereignty.

They come amid trepidstion. Many in Hong Kong are wary about the PLA presence after the handover to China on July 1, disturhed hy memories of the 1989 suppression of demonstrations in Beijing's Tiananmen Square.

"That is at the hack of people's minds," says Ms Emily Lau, an independent legislator. "But people don't seem too worried hy this lot, because they are a small number and do not carry arms."

Certainly, yesterday's long-awaited arrival was low key. Like the regiments of container lorries that cross the border daily, the PLA troops had to pass through customs.

A Chinese army truck against the Hong Kong skyline, en route to the Prince of Wales army barracks yesterday Reuter

Their mini-convoy of gleaming hlack Audis and camouflaged trucks then headed south to the harbour-front barracks.

There, surrounded by the tower hlocks of Hong Kong capitalism, General Zhou shook hands and exchanged salutes with Major-General Bryan Dutton, commandar of British forces in the territory.

Unlike the Sino-British battles over civil liberties, military relations have heen co-operative and cordial. "We are going to work hard together to achieve a smooth transfer of defence responsihility," General Dutton said. For his counterpart, General Liu Zhenwu, the Hong Kong garrison marks an opportunity to restore the image of the Chinese army.

Already, there has heen a concerted charm offensive, with televised training sessions displaying the troops' discipline and, in one instance, a soldier's rendition of a catchy number called "I Love Hong Kong".

China's military commission wants the troops "to appear gallant and civilised" and that includes keeping their hands out of Hong Kong business.

Across the border, the PLA is a powerful commercial force, involved in industries from property to plastics. In Hong Kong the army's commercial presence is restricted to aecond-tier companies, accordiog to Mr Tai Ming-cheung, a China analyst.

The fear is that the capitalist honeypot may prove enticing and lead to temptations of financial freelancing, given the soldiers' low wages. Even senior officers will be paid less than the minimum wage for Filipino domestic helpers, , which would not get them far in the nearby bars – if they were allowed out carousing.

Editorial Comment, Page 17

THE LEX COLUMN

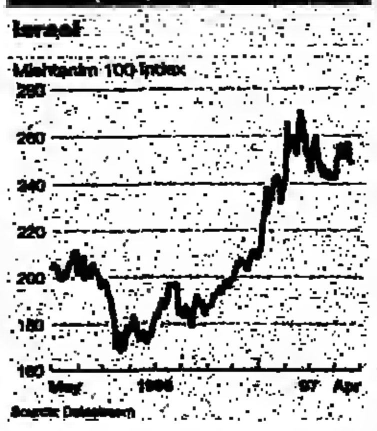
Gallic gamble

Which is more worrying: the outcome of France's snap parliamentary election, or the fact it has been called? For investors, clearly the latter. To call an election is always a gamhie – with unemployment at 13 per cent and rising, all the more so. But even if France'a right-wing parties can expect to see their current overwhelming parliamentary majority severely cut, the dishevelled Socialists' chances of overtaking them also look slim. There is, for sure, pienty of disconteot with Messrs Jacques Chirac and Alain Juppé. But this is not the same as enthusiasm for the Socialists' Mr Liooel Jospin.

That, though, is just as well. A Socialist victory would deal a hefty blow to internatiooal investors' extravagant confidence in France's alleged restructuring potential. So if the party appears to gain ground over the campaign, expect wobbles in France's pricy stock market. Of course, the same would be even more true if Mr Jospin were to opt for a hardline anti-Emu strategy. But so far, he bas fortunately restricted himself to mildly sceptical mood music on this topic.

None of this is as unnerving as the obvious explanation for the president's electoral bet: that a further round of austerity measures will be needed after the election to get the deficit down. That is not just bad news for growth; it also suggests the present hysteria about private sector job cuts and foreign takeovers is unlikely to relax. If investors are not underweight in France already, they should be.

FTSE Eurotrack 200: 2214.7 (+6.7)



Israel

Mr Benjamin Netanyahu, Israel's prime minister, appears to have maintained his grip on power. Short term, this should please the markets. The alternative was uncertainty – probably he would have resigned, with an election campaign following from that. But overall the markets have little cause for celehration. Mr Netanyahu's bold on office is far from sure; he remains beholden to the same coalition partners who caused his recent troubles.

Even more worrying are the worsening relations hetween Israel and the Arab world. Israeli companies benefited enormously from tha peace process; foreign direct investment boomed, exports rose sharply, and there was improved access to international capital markets, especially for the flourishing high technology sector. But political setbacks have left these gains looking less secure. Certainly, there is evidence that Israeli companies with offshore listings are finding it harder to get a friendly hearing.

Economic developments over the past year have provided encouragemant. Interest rates have fallen from 17 per cent to below 14 per cent. Mr Netanyahu's government has also published a budget promising fiscal consolidation, but the outlook is less promising. The Bank of Israel is not offering further interest rate cuts, and there are doubts about whether fiscal tightening will be achieved. For the stock market, a price/earnings ratio of 13½, compared to 1997 forecast earnings, is undemanding, but political noise looks set to drown ont any valuation arguments.

Pension surpluses

The current spat over allocating Unilever's pension fund surplus is a symptom of a deeper and persistent problem: the ownership of such assets is hopelessly fuzzy. If a surplus is small, an employer can capture the full benefit by taking a contribution boliday. And justifiably so; it is the employer, after all, which would have to cough up if the scheme were in deficit. Yet no such clarity exists over bigger surpluses; in practice, these honeypots have been shared out in compromise deals between employers, employees and pensioners. Even worse, the government takes an unjustifiably large chunk in tax.

These arrangements are pointlessly messy. For one thing, employers' risks are skewed to the downside. If investment returns are bad they pick up the whole tab; if good they get only a share of the benefit. Too bad, some might say. But one can hardly then complain if employers increasingly favour money purchase schemes where the risks are left with the employee. Furthermore, it is in no-one's interest that ownership has become a lottery. Getting hold of a surplus is an unpredictahle affair for all concerned, usually involving the courts.

Yet, at least in part, employers have themselves to blame. Part of the problem is that the traditional relationship between companies and pension funds leaves so much to trustees' discretion. If companies fail to define their obligations in clear contractual terms, they can hardly complain that their rights are similarly vague. Moreover, companies' habit of packing trustee boards with their senior executives does not help. Pension scheme members would surely be less nervous of letting surpluses go if they were more confident such decisions were independently arrived at.

Alliance & Leicester

The frothy first-day performance of Alliance & Leicester was predictable. The surprise was that retail investors did most of the buying. They could be in for a rude shock. There is little evidence of much institutional demand for the shares above 520p, and only contorted valuation gymnastics can produce a share price anywhere close to the 566p where A&L closed. This puts the share on a multiple of around 13 times 1997 earnings, a premium over Abbey National, which is on a rating of around 12. Even on the most generous assumptions, this is difficult to justify – indeed, a discount would be more appropriate.

Optimists believe A&L's price includes a bid premium. But it is far from clear that a bid will emerge soon. If it does not, introducing the prospect that the management will start spending its large cash pile, sentiment could quickly seep away from the stock. The odds favour an early correction in the price, something only made more likely by the high number of carpetbaggers A&L attracted. And given that many of the shareholders are novices, the first evidence of a retreat in prices could well trigger wholesale profit-taking.

See additional Lex note on the London Stock Exchange, Page 23

Chirac calls snap election

Continued from Page 1

unemployment. The outcome next mooth does not affect Mr Chirac's term which lasts until 2002. But if the left were to gain a majority in the 477-seat parliament next month, tbe Gaullist president would be forced to "cohabit" with a left-wing government for bis remaining five years in tbe Elysée.

After victory in 1993, the centre-right commands 464 seats in the 577-seat National Assembly, composed of 258 for the gaullist Rally for the Republic and 206 for the Union for French Democracy (UDF).

They are considered certain to lose many of these seats, as much as 150 according to a poll publisbed by the Le Figaro newspaper. But this projection would still leave them with around 318 seats, well ahead of the Socialists with 208 and the Communists with 27.

World Bank and IMF to highlight globalisation

By Gerard Baker in Washington

The world's economic bealth will depend on continued reform of labour, trade and capital markets, the International Monetary Fund will warn this week.

In its biannual World Economic Outlook, publisbed tomorrow, the IMF will paint a broadly robust picture of prospects for world economic growth on the back of the glohalisation of business and rapid technological change.

At spring meetings, members of both the IMF and the World Bank will consider their changing role as private capital flows to less developed countries increase rapidly.

Subjects expected to be highlighted include the debt relief initiative agreed last September, how to deal with the growing risk of banking crises in emerging economies and the World Bank's internal restructuring announced earlier this year.

Senior IMF officials, previewing the discussions yesterday, said tbat globalisation would be the common theme at the meetings.

The IMF will impress on its members that while globalisation bad created problems, including downward pressure on wages in industrialised countries, it had also given rise to opportunities for trade and growth.

The outlook will commend policy in the US, saying the reduction in the fiscal deficit in the last few years had eoabled the country to continue to lead the world in growth.

The US had also taken timely action to restrain inflationary pressures with the increase in short-term interest rates by the Federal Reserve, the central bank, last month.

But there is also expected to be praise for European Union countries in tbeir efforts to meet the criteria for financial convergence for economic and monetary union.

"The conditions for the successful start for the euro are largely in place," an official said.

European countries had successfully engineered a "culture of stability" that would enable them to proceed with confidence on the Emu process.

The IMF said it expected progress to be made on the joint debt relief initiative.

However, the two are likely to receive strong criticism from development groups disappointed at the slow progress made so far.

There may also be criticism, internal and external, of the Bank's restructuring programme announced hy Mr James Wolfensohn, its president, earlier this year.

Japanese store group directors to pay damages in bribery case

Cootinued from Page 1

ments made hy its executives in 1994 and 1995 to a crime syndicate to ensure smooth proceedings at the general shareholders' meetings. Such payments have long dogged business culture in Japan.

The company's exectives were previously convicted in a criminal court of making the payments hnt a group of shareholders hronght an action to force them to repay the money to the company.

Although the directors initially denied any personal responsihility, nine executives have now reached an out-of-court settlement to pay Y160m back to the company – plus Y10m for "tax purposes".

In another unusual development for Japan, the directors have also promised to conduct their shareholders' meeting next mooth in public.

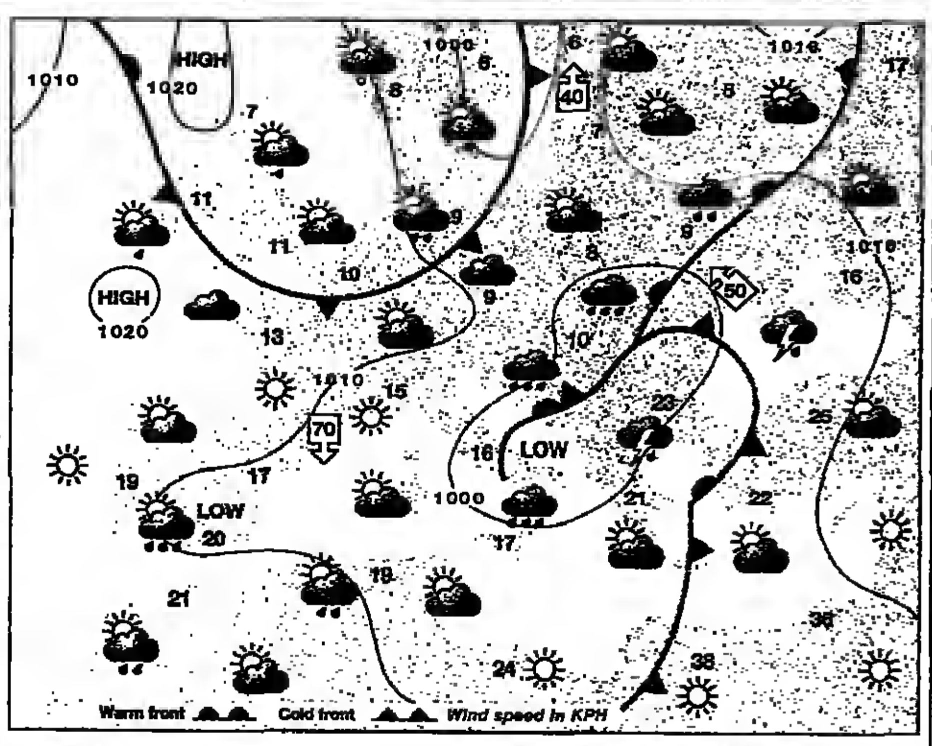
FT WEATHER GUIDE

Europe today

The Benelux will have sunny periods and northern Germany and Denmark will have showers. Southern Germany and northern France will be mostly overcast but southern France will be sunny. Ireland and Scotland will have showers but sunny periods are expected in England. The Iberian peninsula will be mostly dry with ample sunshine but there may be showers in the south. The Alps and northern Italy will have sunny periods but there will be a lot of rain in the south. The Balkans will have plenty of rain. Greece will be partly cloudy and dry. The Black Sea area will have thunder storms.

Five-day forecast

High pressure near Iceland will move to the western Mediterranean during the second half of the week, giving improved conditions. Disturbances will move towards north-western Europe promoting unsettled conditions with moderate to fresh breezes and rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 21	Caracas	fair 30	Faro	fair 21	Madrid	fair 17	Rangoon	fair 36
	Celsius	Belfast	shower 11	Cardiff	fair 11	Frankfurt	cloudy 11	Majorca	fair 19	Reykjavik	rain 6
Abu Dhabi	sun 31	Belgrade	rain 8	Casablanca	shower 20	Geneva	sun 13	Malta	fair 17	Rio	shower 29
Accra	fair 33	Berlin	cloudy 9	Chicago	fair 13	Gibraltar	shower 21	Manchester	fair 9	Rome	rain 18
Algiers	sun 22	Bermuda	cloudy 23	Cologne	fair 10	Glasgow	shower 10	Manila	fair 33	S. Frsco	shower 24
Amsterdam	fair 10	Bogota	shower 20	Dakar	sun 27	Hamburg	shower 8	Melbourne	fair 20	Seoul	sun 19
Athens	fair 22	Bombay	fair 32	Dallas	fair 31	Helsinki	rain 8	Mexico City	fair 24	Singapore	fair 32
Atlanta	cloudy 30	Brussels	fair 10	Delhi	fair 34	Hong Kong	fair 24	Miami	thund 28	Stockholm	rain 8
B. Aires	fair 29	Budapest	rain 7	Dubai	sun 32	Honolulu	fair 30	Milan	fair 14	Strasbourg	cloudy 12
B.ham	fair 10	C.hagen	shower 7	Dublin	shower 11	Istanbul	fair 22	Montreal	fair 11	Sydney	fair 24
Bangkok	fair 38	Cairo	sun 36	Dubrovnik	rain 16	Jakarta	fair 32	Moscow	fair 8	Tangier	shower 20
Barcelona	fair 17	Cape Town	shower 18	Edinburgh	shower 10	Jersey	fair 10	Munich	fair 11	Tel Aviv	sun 32
						Karachi	sun 35	Nairobi	fair 27	Tokyo	fair 20
						Kuwait	sun 31	Naples	rain 15	Toronto	fair 14
						L. Angeles	sun 23	Nassau	shower 31	Vancouver	rain 12
						Las Palmas	fair 24	New York	cloudy 12	Venice	shower 12
						Lima	fair 25	Nice	sun 18	Vienna	cloudy 8
						Lisbon	fair 19	Nicosia	fair 17	Warsaw	cloudy 8
						London	fair 11	Oslo	fair 9	Washington	cloudy 15
						Lux.bourg	fair 9	Paris	cloudy 13	Wellington	fair 13
						Lyon	sun 14	Perth	shower 20	Winnipeg	sun 12
						Madeira	shower 21	Prague	cloudy 9	Zurich	fair 9

FINANCIAL TIMES

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Tuesday April 22 1997

Comrades at peace

China and Russia have never been true comrades despite their shared history of communism. Border disputes and mutual suspicion between their leaders made for an uneasy relationship going back as far as the Korean war.

A better relationship between Moscow and Beijing is thus healthy. A stand-off along their lengthy common border is in nobody's interests. But nor is an outright alliance between the two. Europe and the US should be careful not to drive the two would-be superpowers into each other's arms by excluding them from the most important international institutions.

The world has still not settled down to a new strategic balance that reflects the end of the cold war. For both Russia and China there are reasons why now is a good time to cement a closer relationship, and some of them have disturbing implications.

China's relations with the US are again deteriorating as a result of disputes over human rights, Hong Kong and trade. It also sees Russia as just about the only source of the high-technology weaponry that it needs to build up a modern military which can project its authority beyond its borders.

As far as Russia is concerned, a closer relationship with China provides a reassuring counter to its perceived isolation from world affairs. This has been aggravated by the inexorable process of enlarging Nato and the European Union to include former Soviet satellites, but not Russia itself.

In Asia, Russia has also not been welcomed into the Asia-Pacific Economic Co-operation forum, although Moscow sees itself as a Pacific power, as much as a European one.

It is not the interests of either Russia or China to pursue their friendship to the detriment of other ties. In particular, both need a good working relationship with the US, which as well as the sole superpower is a vitally important trading partner. Younger leaders in both see the US as a source of capital, expertise and modern industrial technology.

Equally, it is in the west's interests to prevent the two countries from drifting together into isolation. Without proper leadership from the US there is more of a risk of that happening, particularly since the Clinton administration has signally failed to deliver the more coherent China policy promised for its second term.

Both China and Russia could play a prodoctive role in world affairs, for example helping to reduce tensions on the Korean peninsula. But the chance will be squandered unless the west learns to engage with them in a spirit of co-operation rather than confrontation.

Terrorism

The IRA's latest campaign of terror in England has shown unwelcome signs of improved co-ordination and planning. But the strategy behind it seems more than usually chaotic. By threatening lives and causing mass disruption to transport, the terrorists will harden opinion against them just when a more pacific approach might have increased sympathy for the republican cause.

Those members of the British public who were minded to give the republicans the benefit of the doubt during the peace process are likely to move from irritation to anger as they wait in endless traffic queues or halted trains. Nor will politicians be more likely to make concessions to the terrorists as the price for another try at reviving the peace process. The Conservatives and Labour party have found plenty to divide them during the election campaign, but the bipartisan approach to Northern Ireland has mostly held firm.

So if Sinn Féin, the IRA's political wing, was hoping to win concessions from a new Labour government, this campaign will prove to be a stupid mistake. It may, however, be more a reflex action by the terrorist organisation to show that it has regrouped and re-armed after a series of reverses. Certainly, the threats to transport nodes, co-ordinated for maximum disruption in different regions, suggest better planning and discipline than many attacks in the past.

But this should not obscure the fact that the terrorists are striking from a position of weakness. On both sides of the sectarian divide in Northern Ireland, peopla are tired of conflict. Sinn Féin is unlikely to poll more than about 15 per cent in the province and is supported by less than 2 per cent in the republic. And the security services have continued to make inroads into the organisation by arrests and the recent uncovering of a large arms cache.

The possibility that the IRA has stumbled for the time being on a relatively effective terror tactic should not, therefore, provoke either party into hasty over-reaction. Security and general vigilance at railway stations and other obvious targets can doubtless be tightened further. But it is hard to think of other measures which could stop bombers without placing intolerable burdens on others.

A defiant effort to minimise disruption on the mainland, combined with renewed efforts to catch the criminals, will do most to erode support for IRA. That means the operators of railway stations and airports must not be panicked into closing premises against police advice, as has happened in the past. While murderers are at large, all risk can never be eliminated, but to give in to hoax calls unnecessarily will only encourage more violence.

Ethics and bugs

Is it ethical to have private detectives spy on your own employees and on a businessman who wants to launch a hostile bid for your company? And what if the covert operation extends to the businessman's wife and family? These are among the many questions prompted by the potential bid by a private company, Galileo, for Britain's Co-operative Wholesale Society (CWS).

The background is that the chief executive of the CWS became aware of leaks of sensitive information to the aspiring bidder. Privote detectives were asked to investigate a senior executive of the CWS, who was then filmed at a meeting in a hotel car park with the entrepreneur behind the bid.

The CWS promptly obtained an injunction preventing the aggressor from using confidential CWS information. The executive, who denied the meeting, was suspended on suspicion of a serious breach of trust.

Confronted with the threat of disloyalty at high level when a bid was imminent, a management could hardly be blamed for calling in investigators. They are not illegal, and there is legislation to cover their more controversial activities.

But then there are grey areas. It is not necessarily illegal to remove the contents of people's dustbins or to follow their wives. In most circumstances, however, it would be ethically suspect. And most people would rightly regard tailing a businessman's wife and children as a needless invasion of privacy.

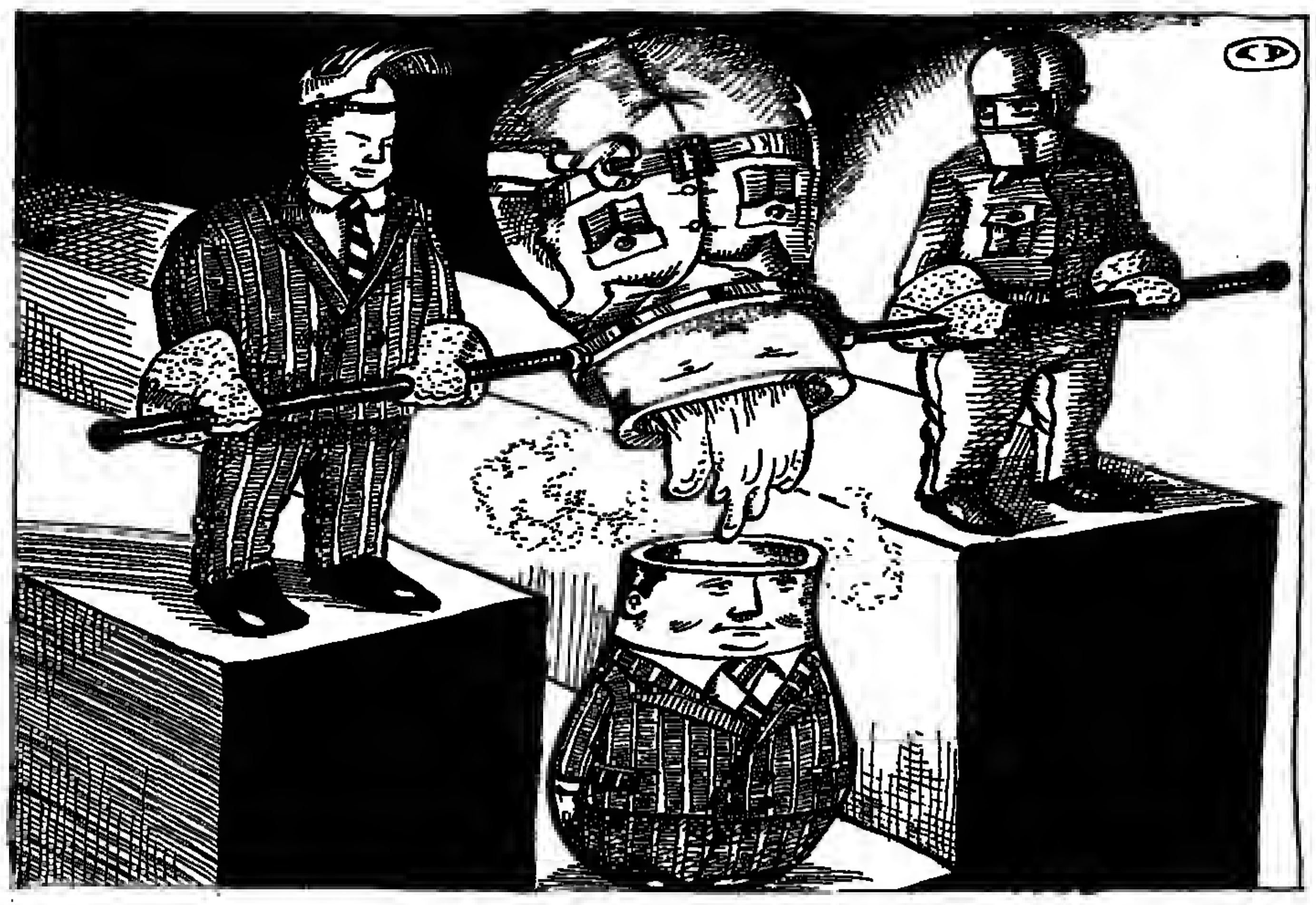
There must also be a suspicion that the CWS management was over-reacting, given that a team of 14 people was at one stage on the case at a daily cost of £10,000. That said, this is not untypical of how directors respond when their jobs are threatened by takeovers. Bugs tend to turn up during bids because so much is at stake.

To call for greater self-restraint would be nugatory when the sale of bugs is running at 30,000 or so a year. Takeovers, with their associated disciplines of downsizing and delayering, have also contributed to a weakening of employee loyalty. Yet the CWS, which until recently was assumed to be bid-proof, may also show that lack of ownership discipline is unhealthy. Poor accountability can rot a corporate culture.

The irony here is that the most successful and profitable part of the CWS is the Co-operative Bank, which adopts a strong ethical stance. Ethical behaviour is the cheapest and best form of regulation. But since it has not stopped the proliferation of private detectives and bugs, it will take tougher legal sanctions to curb the excesses.

Forced into a new mould

Russian companies are resisting attempts by shareholders to get greater control over their investments, says John Thornhill



The vast blast furnaces and smelters of Novolipetsk Metallurgical Kombinat were built during Stalin's industrialisation drive of the 1930s to create a workers' paradise on earth and bury capitalism.

Six decades later, the plant – which was privatised in 1993 – is part of a very different struggle between the country's newly restored capitalist class and the company's management. A group of Russian and foreign investors with 40 per cent of the shares has launched a legal offensive to assert its ownership rights over this industrial colossus.

But the directors are resisting – arguing they must defend their workers' interests from alien "speculators" who have not invested one kopeck in their town.

Snch struggles are being played out in varied forms in scores of Russia's 15,000 privatised enterprises as managers face demands from their new owners who expect to enjoy the same property rights as in other countries. Last week, for example, reformers and foreign investors scored an important victory when they forced Mosenergo, a prominent utility company, to abandon plans to limit shareholder rights.

That was a high-profile case which attracted the attention not only of foreign investors but also the new, market-oriented cabinet which is anxious to show it has the will and the authority to defend private investors. The outcome of such battles could determine whether the country experiences an investment boom, as the optimists assert, or turns into an economic quagmire where investors fear to tread.

To western shareholders, the struggle at Novolipetsk appears straightforward. The investors bought their shares legally and now want to realise the value of their investment. That means attracting new capital to reverse the recent trend of underinvestment – something that will be impossible, they say, without better information about the company's performance and greater accountability of managers to the shareholders.

Thus the outside shareholders want to appoint four outside directors to the nine-member board and conduct an internationally acceptable audit. In a strange echo of Stalinist central planning, they have offered to help draw up a five-year plan with the managers to maximise the plant's profitability for the benefit of shareholders, directors, and 45,000 employees.

The biggest shareholder in the group is Cambridge Capital Management, a Monaco-based hedge fund formed by wealthy private individuals, which owns 17.2 per cent of Novolipetsk's shares and has invested more than $200m in Russia. Another 9 per cent is owned by the $150m Sputnik Fund, which numbers Mr George Soros, the international financier, among its backers. Oneximbank, one of Russia's most powerful banks, has a 14.84 per cent stake.

Bringing an almost crusading zeal to this battle for shareholder rights, which are theoretically enshrined in Russian law, is Mr Thomas Gaffney, a former banker who is chairman of Cambridge Capital Management.

"I am confident we will prevail," Mr Gaffney says. "Justice and right are on our side."

Such arguments, though, make no impression in the boardroom of the Novolipetsk plant, some 450km south of Moscow. For the directors, the dispnte is not so much a conflict of legal rights as a clash of world views. Novolipetsk's Soviet inheritance is not about to be betrayed.

The passions involved are vociferously expressed by Mr Ivan Frantsenyuk, the plant's general director. A metallurgist for 40 years who has run the steelworks for the past 19, Mr Frantsenyuk still appears far more obsessed by metals than markets.

In his first interview since the dispute began, Mr Frantsenyuk, 68, said the privatisation programme had enabled faceless capitalists to buy the town's birthright with no real knowledge of or commitment to the plant.

"They bought 17 per cent of our company for $1m," he says, suggesting the stake is worth hundreds of times more.

Mr Frantsenyuk argues the plant's directors have responsibilities far broader than just their accountability to their nominal owners. The Novolipetsk plant, which covers 34 sq km, has maintained the social infrastructure it built up in Soviet times – which includes a fish farm, a wildfowl sanctuary, 64 kindergartens and sevaral health clinics, sanatoriums and holiday camps.

The enterprise claims it pays its taxes in full to both federal and local government and has continued to pay its workers with only the occasional minor delay – unlike many other enterprises.

"The workers want to keep their jobs and receive their pay and preserve their benefits," says Mr Frantsenyuk.

The company's boss may wear a worker's cloth cap and tha Hero of Socialist Labour medal he was awarded in the Soviet era, but under his leadership it has found new markets for its steel after the collapse of domestic demand. It now exports 70 per cent of its production.

The Novolipetsk plant has also successfully diversified into growing domestic markets, investing $280m in an Italian-built factory which now turns out 1m high-quality refrigerators a year under the brand name Stinol (an abbreviation of steel from Novolipetsk). The company claims it has captured half the Russian market in four years.

At least part of the reason for this new success stems from Novolipetsk's relationship with Intermetal, a subsidiary of the British metals trading concern, Trans-World Group. Intermetal provided vital financial and commercial support when no one else would help. Two Intermetal representetives, Mr Vladimir Lisin and Mr Vladimir Skorokhodov, are on the Novolipetsk board.

However, the ontside shareholders are concerned about the incestuous nature of this trading relationship. They fear disadvantageous "tolling" contracts may be in operation under which the plant buys its raw materials from Trans-World subsidiaries at inflated prices and sells its prodncts at below world market prices to other subsidiaries. That would leave Novolipetsk to bear heavy operating costs and would explain the large drop in the company's stated profits last year.

Senior ministers and the Russian press have already publicly accused Trans-World of concluding similar "sweetheart" deals with the directors of some of the country's biggest aluminium smelters.

Trans-World furiously denies the allegations, saying it is tha victim of Kremlin politics. And at first it denied any connection with Novolipetsk – though it now admits it indirectly owns 37 per cent of the company's equity and has helped finance the plant.

But the investor group at Novolipetsk wants to examine the plant's contracts with Intermatal given the potential conflicts of interest. And it has launched various civil suits against Novolipetsk's directors claiming they have illegally rejected the investors' board nominations for the second year running.

The investors say they submitted their applications to the company on time and have the registered mail and courier service receipts to prove it. Novolipetsk's directors respond that the investors missed the deadline.

Mr Dmitry Vasiliev, the chairman of the Federal Securities Commission which regulates Russia's capital markets, says he has launched an investigation into Novolipetsk. But he claims he has few powers to deal with miscreant directors until the governmant fulfils its promises to toughen shareholder laws later this year.

"At the moment I have insufficient enforcement powers. I cannot fine directors or put them in jail," he says. "Shareholders must decide these questions in the civil courts."

In an attempt to resolve the situation and entrench their position, Novolipetsk's directors hint they might buy out Intermetal's shareholding – although the outsida investors say this would first need the approval of all shareholders. The company says it may also offer to buy back the investor group's shares to secure its independence.

It may be able to call on the backing of the local administration in Lipetsk which is headed by Mr Mikhail Narolin, a former Soviat bureaucrat. He supports the directors in their fight with the outside shareholder group.

Mr Narolin says his region welcomes foreign strategic investors, which introduce new technology and contribute to the town's prosperity. "It is not necessary for us to reinvent a bicycle when others are already riding round on it," ha says.

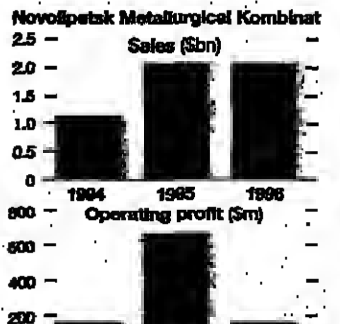
Bnt he draws a distinction between strategic and portfolio investors.

"If shareholders buy their shares to sell them tomorrow and do not invest in this town then we do not view them as real shareholders," he says.

Resolving all these moral ambiguities and legal rights in Russia's opaque legal and business environment will not be easy. Many of these arguments are likely to be aired at the Novolipetsk plant's annual general meeting, which must be held some time before the end of June.

But the struggle at Novolipetsk reflects the battles being fought between shareholders and managers across Russia. There is much still to be done in defining property rights in a country fumbling its way from a planned economy to a free market.

Where have the profits gone?



Source: Brunswick Brokerage

OBSERVER

Fighting the gold war

■ An exhibition of the Treasures of the Czars, designed to spread peace and understanding in US-Russian relations is, as the organisers put it, "not working out that way at the moment". Hostilities have escalated to such a pitch that the Russians are accusing the Americans of taking the goodies hostage.

Outside Washington's Corcoran Art Gallery, a fleet of trucks packed with jewellery, costumes and portraits of imperial Russia sits blockaded by Russian embassy cars while the truckers watch television in their air-conditioned cabs.

The Russians say the artefacts must go straight to Moscow: the Russian capital's 850th anniversary this year wouldn't be complete without a few more tiaras and pictures of large men in curly moustaches and military coats.

The Americans say the exhibition is booked to spend another two years in various parts of the US to mark a humbler milestone – the 125th anniversary of Russian Grand Duke Alexis's visit to the US. Houston, next stop, has paid $150,000 to stage the show.

Eyeball-to-eyeball talks of the kind once familiar to strategic analysts are under way. At least the trucks aren't military, and the worst risk to the world is a few jewels ending up in the wrong place.

Euro-party

■ If Eurocrats really must party, the EU's agriculture ministers, who look after the union's food and drink, not to mention food hygiene and animal health, might as well be the hosts. Their meeting in Luxembourg yesterday was the 2,000th ministerial gathering in the 30 years since the European Community started. Its first council of ministers' meeting involved six worthies speaking four languages, yesterday 15 spoke 11.

So they had a party, just as in 1985 when the 1,000th meeting was also agricultural and there were mountains of beef and lakes of wine to dispose of.

The Euro-bureaucracy cancelled the live music for last night's bash, declaring that it was to be an austere affair – well, austere-ish, at a total cost of $55,000. Another economy measure was that 10,000 protesting Italian farmers were not invited to gatecrash.

The only alcoholic beverage for the 300 who did get in was champagne. To drive home the message that France still sets the EU's culinary agenda, the bubbly was accompanied by canapés. The caterers wisely steered clear of beef, settling for smoked salmon, ham and pâté. And a little foie gras? Certainly not. Unthinkable, considering the cost.

Smoke break

■ Ukraine is in the world league when it comes to taking days off, as the powerful ex-communist lobby ensures that Stalinist siestas stay even as new religious rest-days arrive. This year it is excelling itself.

A late Orthodox Easter on April 27 is as close as makes no difference to the workers' playtime of May Day. So there was nothing else for it – the government has declared a holiday from April 25 until May 5. Ten days' lost production isn't an issue for industries running well below capacity, and shutting antiquated plants will reduce pollution. A case of having your cake and eating it.

Prodi's progress

■ If the pessimists who say India is veering into a new, politically unstable era of coalitions are correct, organising state visits could start proving tricky. Romano Prodi, the Italian prime minister who survived a vote of confidence on April 12, had been due to visit the Indian capital yesterday, meet his counterpart and address the Confederation of Indian Industries.

Except that his counterpart, H. D. Deve Gowda, lost his own vote of confidence on April 11, after 10 months in power. His successor I.K. Gujral, was appointed on Sunday, but faces a confidence vote today before forming an expected new coalition government. Too late, alas, for Prodi's travel plans. You'd have thought an Italian prime minister of all people might have foreseen the fragility of a coalition. But Indian governments are these days more a moving target than Italian ones. Prodi is only Italy's second PM in 12 months. Gujral is India's fourth.

Compass point

■ Sweden's Freemasons have apparently got their aprons in a twist because King Carl XVI Gustaf has refused to succeed his late uncle, Prince Bertil, as their grand master. For 200 years, a member of the royal family has rolled up his trouser leg and done the decent, if secretive, thing. Royal sources have told the local media the king is keeping his chest covered because he doesn't like secret societies. But he is keeping his reasons, well, secret.

The Financial Times

100 years ago

The Alarming Motor Car

The ways of the motor car are mysterious and somewhat terrifying to the innocent cyclist or charioteer. It is not exactly a pleasant experience to have one of these ponderous monstrosities whirling past one in a cloud of dust and steam, panting like a hunted buffalo, and it is just as well that their wild career should be urged on under the strict eye of the law.

50 years ago

More Pay For U.S. Steelworkers

New York, 21st April. A new wages agreement is announced by the United States Steel Corporation and the C.I.O. United Steelworkers' Union. It provides for a general increase of 12½ cents an hour, plus several subsidiary benefits which would place the advance at about 15 cents an hour, and is for two years, but contains a wage reopening clause after ona year. Mr. Benjamin Fairless (U.S. Steel Company president) said the corporation hoped to absorb the increase without raising steel prices. The increases bring the lowest basic hourly rate for most workers to about $1.09 an hour.

Astra shares tumble as growth slows

By Greg McIvor in Stockholm

Shares in Astra, tbe Swedisb pharmaceuticals group and the country's largest company by market value, tumbled more than 7 per cent yesterday after it surprised investors with a big slowdown in growth.

Tha group, wbose anti-ulcer agent Losec is the world's top-selling prescription drug, said first-quarter pre-tax profits increased by only 1 per cent, from SKr3.44bn to SKr3.46bn ($451m), amid stockpiling problems in several European markets.

The figures were SKr500m below average market expectations. Astra investors, wbo have become accustomed to regular double-digit growth in the past few years on the back of Losec's success, reacted immediately by offloading the stock in beavy late trading.

Astra's most-traded A shares – which have under-performed the international pbarmaceuticals index in recent months – alid SKr22 to SKr320.50 in Stockholm. In New York the ADRs had shed $3⅜ to $41⅝ by lunchtime.

Mr Staffan Ternhy, a spokesman for Astra, said inventory build-up hy patients and wholesalers towards tha end of last year knocked SKr400m off Astra's first-quarter sales.

Problems were encountered in Sweden, where a change in prescription fees triggered widespread stockpiling. Mr Ternby declined to disclose the impact on profits, but said margins were high for the type of sales affected. Performance was also impeded by an unexplained fall in net financial incoma, from SKr257m to SKr92m.

Analysts downgraded their full-year forecasts for Astra's earnings and some questioned whether the company was running out of steam as it prepares for the expiry of Losec's patents, starting in 2001.

"People are beginning to get a bit nervous that post-Losec Astra is starting to look a bit thin," said Mr Stuart Harris, pharmacenticals analyst at HSBC James Capel in London. "It is quite clear that unless the company does something the growth rate is going to slow down over a five-year view."

Sales of Losec, which accounts for about 45 per cent of Astra's turnover, advanced 14 per cent, from SKr4.2bn to SKr4.8bn.

Pulmicort, an anti-asthma treatment which is its second-biggest seller, saw its sales rise from SKr1.1bn to SKr1.2bn. Astra is currently awaiting approval from the US authorities to launch Pulmicort using its Turbuhaler inhalation device.

Mr Harris said Astra was experiencing the same problem as Glaxo Wellcome, the UK group, wbose blockbuster Zantac anti-ulcer drug is facing competition from generic treatments. But he stressed Glaxo had a wider range of replacement products than Astra.

Astra'a turnover rose from SKr9.3bn to SKr10.1bn. The company said price changes did not affect sales growth. Hedging activities meant earnings were not affected by currency shifts, It added.

Gengold maintains output in quarter

By Mark Ashurst in Johannesburg

A lower tax cbarge and stable gold ontpnt belped Gengold, the gold-mining arm of South Africa's Gencor group, withstand weak bullion prices in the March quarter.

Operating income fell 26 per cant from R138.2m in tbe December quarter to R101.5m ($22.8m) in tbe three months to March 31. The fall was blamed largely on the weak gold price. The average spot price received fell from R55,981 per kg to R51,210, but this was partly offset by forward sales. Total revenne from gold dropped from R557m to R525.5m.

Analysts said the resnlts were ahead of expectations, which bad been dampened by a 7 per cent decline in the rand gold price. Total gold prodnction rose from 10,455kg to 10,600kg in spite of disruptions caused by the Christmas bolidays. Working costs per kg fell by R88 to R41,640 per kg, as higher ontput offset a marginal rise in total working costs.

Gengold becama the second South African mining groop to report an increase in gold ontpnt for tbe period, following Gold Fields' resnlts last week. This prompted analysts to predict a fall in gold output from the other mining bouses.

"We know from the Chamber of Mines that overall ontpnt was down in tbe first two months, so there has to be a hole somewbere," said Mr David Hall, gold analyst at ING Barings in Johannesburg. The otber gold mining bouses – JCI, Anglo, Randgold and Anglovaal – will publisb results over the next week.

Handelsbanken advances 14%

By Greg McIvor in Stockholm

Profits at Svenska Handelsbankeo rose 14 per ceot in the first quarter as Sweden's largest hank reaped the first fruits of its SKr23hn ($3bn) acquisition of Stadsbypotak, the mortgage lender, earlier this year.

Pre-tax profits rose from SKr1.5hn to SKr1.7hn and earnings per share advanced from SKr4.93 to SKr5.62, lifted by an increase in the net interest margin because of tbe Stadsbypotek purchase.

Net interest income rose 17 per cent from SKr2.2bn to SKr2.6hn, while credit losses were sharply lower.

Mr Arne Martensson, Handelsbanken chief executive, said the Stadshypotek acquisition would boost full-year earnings by SKr1.5bn, compared witb SKr1.1bn forecast.

Goodwill from the acquisition would be around SKr4.6hn, some SKr1hn lower than anticipated, be said. In addition, Stadshypotek's property book had been revalued upwards hy SKr800m.

Handelsbanken attributed around half of the improvement in net interest income to higher lending volumes, in part arising from Stadshypotek, whicb was consolidated from the end of February. Excluding Stadsbypotek, margins were unchanged.

The rest of the increase in net interest income, about SKr200m, was ascribed to an accounting technicality and was balanced hy a SKr200m debit against net financial income.

Earnings were in line with most analysts' expectations and investors responded hy pushing Handelsbanken's most-traded A sbares up SKr5 to SKr226.

A prime factor behind the increase was a 70 per cent drop in credit losses. Handelshanken said this reflected a continued improvement in Swedisb economic conditions. It predicted loan losses would remain low for the next one to two years.

Total revenue grew just 2 per cent, from SKr3.52bn to SKr3.57bn.

Excluding sour credits, operating profits declined from SKr1.97bn to SKr1.86bn. Compared with the fourth quarter last year, operating earnings were 21 per cent lower.

The decline was chiefly due to a sharp drop in earnings from financial transactions, from SKr492m to SKr6m.

Commission income increased, bowever, from SKr673m to SKr797m, because of higher volumes in securities trading.

The effect of the Stadshypotek purchase was clearly seen on operating costs, whicb rose from SKr1.55bn to SKr1.7bn.

The costs associated with tha acquisition accounted for 80 per cent of the rise.

Tier 1 capital fell from 8.1 per cent to 5.3 per cent, while total capital decreased from 11.3 per cent to 9.3 per cent.

Arne Martensson: Stadshypotek will add more than forecast

VA Technologie seeks European acquisitions

By Peter Marsh and Tim Burt

VA Tecbnologie, the Austrian plant engineering group, plans to spend up to Sch8bn ($662m) on European acquisitions, to expand sales by more than a third by 2000.

Mr Othmar Pühringer, chairman, said he was "permanently looking" for companies to buy, in addition to the four businesses that the group has acquired in the past year. He admitted VA Tech was in talks with a number of possible acquisition targets or industrial partners, but declined to name them.

The strategy aims to expand VA Tecb's three main businesses: metal processing, general engineering services, and energy and environmental systems. The divisions accounted for roughly eqnal amounts of VA's 1996 sales of Sch33.5bn.

After briefing UK investors on last year's profits of Scb1.67bn, up from Sch1.27bn, Mr Pühringer predicted a "further agglomeration" in the European plant engineering business. By taking out competitors and increasing its market share, VA Tech should be able to drive margins up from 5 to 6 per cent, he said.

Its main competitors include Davy International, which is part of Kvaerner of Norway, tha Swiss-Swedisb ABB, General Electric of the US, Danieli of Italy, the Anglo-French GEC-Alsthom and Voith, Siemens, Demag and SMS Schloemann-Siemag in Germany.

In the past three years VA Tech – a formerly state-owned group that was privatised in 1994 – bas spent more than Sch2bn on acquisitions. Companies bought in the past year inclnde the environmental engineering business of Sulzer group of Switzerland and 44 per cent of Fuchs Systemtechnik, a German engineer.

Mr Pühringer said future acquisitions would aim to put VA Tech in the top three companies worldwide in both metallurgical engineering and environmental engineering and energy.

Telefónica faces wait to buy out Tisa

By Tom Burns in Madrid

Telefónica's outrigbt ownership of Tisa, its international subsidiary whicb last week was at the centre of tbe Spanish operator's union with the Concert alliance of British Telecommunications and MCI of the US, may be delayed for up to three months.

It will also cost Telefónica more than originally expected.

Tisa is the dominant foreign operator in Latin America and will be the vehicla for Concert's pusb into the region through a series of agreements.

However, the subsidiary is 24 per cent owned by the government and the sale of the stake to Telefónica has been held up.

Mr Juan Villalonga, Telefónica chairman, had hoped to sacure total control of Tisa last autumn, ahead of the full privatisation of the telecoms group in February. The government, bowever, chose to delay the sale until it had sold its remaining 21 per cent stake in tha parent company.

Last week, when he aunounced Talefónica's agreement witb Concert, Mr Villalonga said he expected to complate the long-ewaited purchase of the remaining eqnity in Tisa by tha middle of next month.

Mr Pablo Isla, chief executive of Sepp, the government portfolio company which owns the Tisa stock, said yesterday that the sale was unlikely to take place until July. Mr Isla said that Sepp was about to appoint a financial adviser whose first task would be to revalne Tisa.

Salomon Brothers, the US investment bank, has already conducted a valuation of the Tisa stock on Sepp's behalf, suggesting in December a price range of Pta94hn-Pta117bn ($65m-$80.9m) for the shares owned by the government.

Mr Isla said the new valuation would raise tbe price range, as the market value of the listed companies that Tisa controls in Latin America – the local operators in Argentina, Chile and Peru – had increased in the past months, and because tha peseta had lost value against the dollar.

Under the terms of Telefónica's alliance with Concert, MCI has an option to take a 10 per cent in Tisa, once tha profitable snbsidiary is fully owned by Telefónica, and the Spanish operator will take a 33 per cent stake in Avantel, a joint venture controllad by MCI which competes with Telmex in Mexico.

Rome opens way for Seat sell-off

By Paul Betts in Milan

The Italian government has cleared the remaining hurdle to the privatisation of Seat, publisher of the Italian "yellow pages" telephone directories, by closing down MMP, the former loss-making newspaper advertising distribution subsidiary.

Since it was set-up in 1995 by Stet, tha telecommunications group which controlled Seat, and Banca di Roma, MMP has been a burden for the publisher of the Italian telephone directories.

After losing L25bn ($14.75m) in 1995, MMP lost L180bn last year and is expected to losa at least another L55bn this year. The company had negotiated several doubtful advertising contracts and was widaly seen as a political instrument to help fund party newspapers.

Although there are likely to be continued arguments over who will foot the bill for the MMP losses – the Treasury, Stet, or the IRI state holding group – they will not involve the eventual buyer of Seat.

Three groups are bidding for Seat, including one led by ITT of the US; a second US-led consortium with the GTE telecoms company; and a third consortium led by Banca Commerciale Italiana. All three are completing due diligence and final bids are expected by the end of next month.

Telecom Italia, the operating telecoms company which is being absorbed by the Stet bolding company ahead of privatisation, also confirmed yesterday it planned to acquire a significant stake in Seat of up to 20 per cent. The presence of Telecom Italia as a large sbareholder in Seat is seen as an important component for a successful privatisation of the company.

The Italian Stock Market Council has valued Seat at L2,342bn, including the negative impact of MMP. The successful bid is expected to be between L2,500bn and L3,000bn.

EUROPEAN NEWS DIGEST

Agnelli group to sell Fiat stake

The two Agnelli family holding companies, IFI and IFIL, have agreed to sell a 2.2 per cent stake in Fiat, Italy's biggest private industrial enterprise, for about L423bn ($249.49m) to Compagnia di San Paolo, the foundation which controls Istituto Bancario San Paolo di Torino, as part of the privatisation of Italy's largest banking group. The Agnelli holdings in turn are to become one of the stable shareholders in the privatised bank with a 5 per cent stake along with Banco de Santander, the IMI banking group, Banca Monte dei Paschi di Siena, and Reale Mutua Assicurazioni. In a joint statement last night, IFI said it had agreed to sell 33.05m Fiat ordinary shares, or 1 per cent of outstanding shares, to Compagnia di San Paolo for about L5,700 each. IFIL will sell the foundation 41.15m Fiat shares, or 1.2 per cent of the total, for the same price. The transfer of shares is planned for January 15 1998 at which time IFI's and IFIL's joint stakes in Fiat's ordinary share capital will amount to 30 per cent.
Paul Betts, Milan

SGL upbeat on earnings

SGL Carbon, the world's biggest maker of carbon and graphite products, yesterday stuck to its forecast of double-digit earnings growth this year after it announced first-quarter operating profit of about DM80m ($46.61m), close to the level in the same quarter last year. Mr Ronald Koehler, chairman, said sales in the first three months were DM450m, up 10 per cent on the same period last year.

He said demand in the first quarter was depressed by "the sluggishness of the European steel industry", which was "continuing to put a damper on our business". But order books signalled a revival in the second quarter, he said. Profits in the first quarter were undermined by two one-off factors: a large product recall in North America and about DM4m in compensation for earthquake damage which bolstered first-quarter profits in 1996. Mr Koehler told the company's annual shareholder meeting: "Barring any unforeseen circumstance, we expect double-digit growth in earnings that again will be higher than our rate of sales growth. This forecast is realistic despite the fact that in 1997 we anticipate incurring one-time expenses of DM25m from the integration of acquisitions into our corporate portfolio and costs linked to rationalisation programmes."
Graham Bowley, Frankfurt

WMB slows after expansion

West Merchant Bank, the London-based investment banking arm of Germany's Westdeutsche Landesbank, is expecting slower growth after an expansion that has doubled its workforce in the past 18 months. The bank, which will this week report record profits for 1996 of £56.6m ($92.33m), up 56 per cent from the previous year, has built a substantial business in emerging markets debt, especially in Latin America and Russia.

Results were lifted by the addition of Panmure Gordon, the UK equity broker bought last year from NationsBank of the US, which also recorded record profits last year. Mr Patrick MacDougall, West Merchant chief executive, said the bank's focus was on expanding its emerging markets equities business.
George Graham, Banking Correspondent

Viag buys Th. Goldschmidt

Viag, the Munich-based industrial conglomerate, has lifted its chemicals operations by taking majority control of Th. Goldschmidt, the specialist chemicals company. It is acquiring a 27.95 per cent capital stake from Rütgers, the Essen-based concern, and 10.38 per cent from Allianz, the large German insurance company. Viag previously beld 17.91 per cent of Th. Goldschmidt. Th. Goldschmidt had sales of more than DM1bn ($583m) in 1995, but the price paid by Viag in yesterday's agreements was not disclosed. After the deals with Rütgers and Allianz, Viag will increase its voting rights from 16.03 per cent to 50.34 per cent.
Ralph Atkins, Bonn

Norsk Hydro beats forecasts

Shares in Norsk Hydro, Norway's biggest listed industrial group, jumped more than 5 per cent yesterday after it reported better than expected first-quarter profits. Pre-tax profits slipped from NKr1.87bn ($264m) to NKr1.54bn, but the decline was less than analysts predicted, helped by improved earnings from oil and gas operations. The shares responded by rising NKr19 to NKr350.50

Norsk Hydro, whose operations include offshore production, light metals and fertilisers, said it was "back on track" after a setback at the end of last year. At that time, profits were hit by e downturn in the European fertiliser market. Yesterday, it blamed a fall in operating profits in fertilisers, from NKr889m to NKr856m, to lower prices and higher raw materials costs. In oil and gas, operating profits rose from NKr1.5bn to NKr1.9bn. Group turnover increased from NKr21.4bn to NKr23.2bn.
Greg McIvor, Stockholm

Dassault Systèmes advances

Dassault Systèmes, the French specialist in computer-aided design and manufacturing, yesterday reported a 34 per cent advance in first quarter net income from FFr86.5m to FFr116.3m ($20m). Revenues rose by 28 per cent from FFr330.6m to FFr423m, while net income per share climbed from FFr1.68 to FFr2.25. Mr Charles Edelstenne, chairman and chief executive, said the Asia Pacific region had represented close to one-fifth of the group's revenues in the first three months, up from 13 per cent a year ago. The company, which was listed last June on both the Paris bourse and Nasdaq in the US, said the strength of tha US dollar had a "minimal positive" impact on operating results.
David Owen, Paris

Usinor falls on warning

Shares in Usinor Sacilor slipped back yesterday after Europe's biggest steel maker reiterated that its first-half 1997 profits would be lower than a year earlier. The shares closed down FFr2.25, or 2.5 per cent, on the Paris stock market at FFr87.25. This compared with a fall of just under 1 per cent for the benchmark CAC 40 index. The company reported a slow recovery in European and Asian steel prices. In the first six months of 1996, It made net attributabla profits of FFr833m ($144m) on turnover of FFr37.39bn.
David Owen

Kélian chairman stands down

The board of a French luxury shoe company whicb produces goods for some of the country'a best-known designers yesterday resolved to replace its chairman after losses and falling sales. Mr Bernard Besson, head of Stéphane Kélian, a quoted company based in the south-east of France, was asked to stand down in favour of Mr Joël Lacourte, another director. Mr Besson was appointed in 1995. The action is tha latest in a series of tough management decisions taken by the shareholders of French companies in tha search for improved performance, including the replacement of tha chairmen of Moulinex, Navigation Mixte and Compagnie de Suez. The company said yesterday that Mr Besson had done well restructuring the group, and Mr Lacourte would help it grow. According to filings with the local registrar, Stéphane Kélian reported losses of FFr32m ($5.54m) in 1995 and FFr14m in 1996. The group closed a dozen shops and shed about 100 jobs as part of its restructuring. It has produced clothing for designers including Kenzo and Jean-Pierre Gaultier.
Andrew Jack, Paris

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IN BRIEF

Fidelity focuses on institutions

Fidelity Investments, the world's largest fund manager, announced a reorganisation aimed at shifting its emphasis towards the institutional market, and away from its traditional strength in mutual funds. Page 22

AT&T 1st-quarter earnings decline
AT&T, the US telecommunications group, reported a decline in first-quarter earnings as it spent heavily on network improvements and new growth opportunities. Page 22

Gengold withstands weak bullion price
A lower tax charge and stable gold output helped Gengold, the gold mining arm of South Africa's Gencor group, withstand the weak bullion price in the March quarter. Page 20

Stadshypotek boosts Swedish bank
Profits at Svenska Handelsbanken rose 14 per cent in the first quarter as Sweden's largest bank reaped the fruits of its acquisition of mortgage lender Stadshypotek. Page 20

Rome opens way for Seat sell-off
The Italian government has cleared the remaining hurdle to the privatisation of Seat, publisher of the Italian "yellow pages" telephone directories, by closing down MMP, the former newspaper advertising distribution subsidiary. Page 20

Unisys posts improved results
Unisys, the computer systems and services group, reported improved first quarter results and said it was "on track" to achieve profitability for the year. Page 22

Barrick declines on lower output
Toronto-based Barrick Gold suffered a rare setback in the first quarter with an 11 per cent drop in output, including a 35 per cent plunge at its flagship Betze-Post mine in Nevada. Page 22

US oil stocks rise on Exxon results
US oil stocks rose after Exxon, an industry leader, reported a 15 per cent increase to $2.2bn in first-quarter profits. Page 22

Dollar strength limits sales at Eli Lilly
The strong dollar held back growth at US drugs company Eli Lilly during the first quarter of 1997. Page 22

Companies in this issue

Market Statistics

http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)		
Rises		
[illegible]	511	+ 11
DLW	137.5	+ 5.5
[illegible]	478	+ 8
SAP AG	288.8	+ 7.3
Springer Axel	1500	+ 70
Falls		
BMW Prf	926	− 13
NEW YORK ($)		
Rises		
Chemed	31¼	+ 3½
Diebold	33¾	+ 3
Fairfield Comm	25⅞	+ 3⅞
Snyder Comm	22⅝	+ 1⅝
Total Sys	24¾	+ 2
Falls		
Norsk Hydro	49⅝	− 3⅛
LONDON (Pence)		
Rises		
Euro Colour	66	+ 6
Hydro Intl	33½	+ 9
Proudfoot	22½	+ 6½
Rebus	71½	+ 9½
Falls		
Shield Diag	497½	− 65
Synergy	35	− 9
TORONTO (C$)		
Rises		
Amer Mineral	5.7	+ 0.7
Alta Rsc	5.1	+ 0.55
Newbern Min	7.65	+ 1.15
BR Telecom	5.95	+ 0.70
Falls		
Biochem Pharm	23.0	− 2.75

Lynx Energy	13	− 2
PARIS (FFr)		
Falls		
Alcatel	660	− 24
Comptoirs Mod	2600	− 90
Cred Lyon	196.3	− 11.2
GTM-Entrepose	325.8	− 14.2
Pernod Ricard	288.0	− 13.8
Remy Cointreau	143	− 6
TOKYO (Yen)		
Rises		
CSK	2950	+ 170
Kandenko	943	+ 76
Nagase	850	+ 59
Nippon Zeon	584	+ 34
Shimizu Corp	586	+ 36
Toshiba Plant	527	+ 36
HONG KONG (HK$)		
Rises		
Conrad Intl	0.57	+ 0.09
Cosmos Mch	1.98	+ 0.65
Legend Hldgs	1.75	+ 0.28
Stone Elec Wts	0.88	+ 0.18
Falls		
Dongfang Elec	2.1	− 0.2
BANGKOK (Baht)		
Rises		
Big C Super	15.25	+ 1.25
CMG	18.5	+ 1.5
Mandarin Hotel	12	+ 1
Falls		
Loxley Publ	95.5	− 10.5
PAE	36.5	− 3.75
Wall St Fin	22.5	− 2.5

New York and Toronto prices at 12:30.

Banks agree $275m Brazil loan

First medium-term lending since Latin American debt crisis struck

By Samer Iskandar in London

International banks are lending $275m to Brazil's National Development Bank (BNDES), marking completion of the first medium- or long-term syndicated loan to a Brazilian borrower since the Latin American debt crisis erupted 15 years ago.

The deal reflects increased international confidence in the country's economic prospects and underlines bankers' growing enthusiasm for emerging market credits.

Brazil made its comeback to the world's capital markets last October, when it raised $750m in its first international bond issue since 1982. Bank lending to Brazilian borrowers has in recent years been limited to mainly short-term trade financing.

Bankers expect the country's borrowers to tap the markets more regularly as its creditworthiness improves.

The country's privatisation programme is expected to raise about $10bn this year, starting with next month's planned sale of part of Companhia Vale do Rio Doce (CVRD), the mining company.

Ms Fiona Paulus, a managing director at Bankers Trust, which arranged the loan, said: "It is important for Brazil to establish a loan market ahead of the huge wave of privatisations."

The structure of the deal is also innovative. Its terms link the interest charged to any changes in Brazil's sovereign credit rating by Standard & Poor's, the US credit rating agency. BNDES, which has the same foreign currency rating of BB- as the Brazilian government, will pay a margin of 1.625 percentage points over Libor, the rate at which London banks lend to each other.

This margin will be reduced to 1.375 points over Libor if Brazil's sovereign rating rises to BB, or to a minimum of 1 percentage point over Libor if the rating rises to BBB-, the lowest investment grade on S&P's ratings scale.

Conversely, any downgrade would raise the margin on the loan to a maximum of 4.125 points over Libor, which would be triggered by a B- rating. BNDES is believed to be the first emerging market borrower to benefit from such an arrangement.

"We would like to see this structure used again," said Ms Paulus. "It could easily be applied to other development agencies."

S&P upgraded Brazil's debt this month, citing "solidifying political support for fiscal reforms [and] major steps towards state financial reform". Twenty-six banks from Europe, Asia, the US and Latin America participated in the three-year loan to BNDES, which was increased to $275m from the original target of $150m – as a result of heavy oversubscription.

Capital markets, Page 26

Myloral test blow compounds US biotech gloom

By Daniel Green

One of the most important clinical trials this year for the US biotechnology industry has ended in failure.

Shares in Boston's Autoimmune fell $8⅞ to $4⅞ in early trading yesterday after the company said that its multiple sclerosis treatment, Myloral, had performed no better than a placebo – which has no medical effect – in crucial, phase III trials.

Phase III trials are the last before a company asks health regulators to approve the drug. The trials – the most expensive – involve hundreds or thousands of people, with neither doctors nor patients knowing whether the pill being taken is the drug or the dummy.

The setback for Autoimmune is the latest in a series for the US biotech sector. In the past month there have been disappointing clinical trial results from US companies Scios, Alkermes and Oravax.

These failures have led to a sharp reversal in biotech company share prices, which rose strongly in January and February.

Prices fell an average 10.8 per cent in March and a further 5.3 per cent to April 18, according to analysts at New York-based healthcare investment advisers Mehta and Isaly.

The declines have not so far affected the smaller European biotech sector. However, critical trial results are due this year. They include Cortecs' osteoporosis treatment, Macritonin, this month, and Celltech's BAY-X-1351 for septic shock late next month.

The next tests for the US biotech sector include Alpha-Beta's carbohydrate-based antibiotic and Chiron's diabetic ulcer drug.

Autoimmune, whose market value was $230m at Friday's close, said it would now concentrate on its other drug in advanced trials, Colloral for rheumatoid arthritis. Results of its phase II trials should be published next month.

However, the prognosis is not good because Myloral and Colloral were based on the same scientific principle that the immune system can be "re-educated" through the digestive system.

A&L's debut lifts hopes of higher windfalls

By Christopher Brown-Humes in London

A sparkling stock market debut by the Alliance & Leicester yesterday raised hopes of higher-than-expected windfalls for 14m UK building society (mutually-owned savings and loan institution) members in this year's £22bn ($35.64bn) demutualisation bonanza.

Shares in the new bank closed at 566p, well above the 520p predicted at the weekend, giving 2.2m A&L members a windfall worth £1,415 each. This is £400 more than early estimates.

But analysts said the shares had been driven up by retail buyers, rather than institutions, and could fall in the next few days.

A&L shares opened at 542p and reached a high of 578p. Turnover of 88m shares, including 52m shares auctioned on Friday, represented about 12 per cent of total market volume.

The closing price was also well above the 522p average paid by 36 professional investors who were successful in an auction of A&L shares on Friday when bids ranged from 517p to 546p. These were shares sold by Cazenove, the broker, on behalf of A&L members who wanted to sell immediately.

Mr Robert Law, banking analyst at Lehman Brothers, said: "The opening price was a huge surprise. You can only justify it on the grounds of speculative interest."

He added: "It will restrict supply in future building society flotations because it will encourage customers to retain their holdings."

The Halifax and Woolwich societies are due to float during the summer, followed by Northern Rock in October.

Mr Hugh Pye, banking analyst at BZW, said: "If Halifax members decide not to sell, there will be a real scramble for the shares."

Yesterday's closing price values A&L at £3.3bn. A similar price-earnings multiple of 13 times this year's earnings would value Halifax at more than £13bn and Woolwich at £3.75bn. This would mean a £1,500 average pay-out for 8.5m members of Halifax, against forecasts of £1,300. The average pay-out for 2.6m Woolwich members would rise to £1,450 from £1,230.

The bigger windfalls will increase worries about a rise in consumer spending and higher inflation.

"We could well be on the way to a mini-consumption boom," said Ms Ruth Lea, head of the policy unit at the Institute of Directors.

Analysts said it was too soon to say whether A&L members selling through auctions had lost out. "The shares have only one way to go and it's not up," said one analyst.

A second auction of 52m shares took place last night, with Cazenove, the broker, reportedly seeking bids within about 10 per cent of the 560p average price in the last hour of trading. A third auction will take place tonight.

A total of 157m shares, equal to 27 per cent of A&L, are being sold through the auctions, with sellers getting the average price for all three.

Lex, Page 18
London stocks, Page 34

Final Repsol privatisation offer is record 36 times subscribed

Demand likely to raise pace of state sell-off programme

By Tom Burns in Madrid

The final offering of shares in Repsol, Spain's oil, gas and chemicals conglomerate, has been a record 36 times subscribed, underlining the strong domestic demand for equity investment.

Today sees the opening of the four-day offer period for making firm bids in the Pta170bn ($1.17bn) sale of the state's remaining 10 per cent stake. The retail tranche of the offering represents 55 per cent of the total.

The extraordinary appetite for equity investments among Spanish savers has driven the domestic stock exchange to record highs in recent months. In February last year the domestic tranche was 11 times subscribed when 11 per cent of Repsol's state-owned equity was placed on the market. That issue realised Pta139.5bn in privatisation receipts.

Excitement over Repsol's final issue is on a par with the demand generated by the far larger disposal two months ago of the state's remaining 21 per cent of Telefónica, the national telecoms group. The Pta627bn offering was 10 times subscribed on its domestic tranche.

The heavy oversubscription for these retail tranches reflects the distribution muscle of Spain's retail banks, which are selling the issue, and the unrealistic demands of small investors keen to secure shares.

"If people got the shares they said they wanted they would have to borrow to pay for them," said a Madrid broker.

Nevertheless, the demand suggests that the domestic stock exchange is growing significantly in terms of volume and liquidity. In its February issue Telefónica more than doubled its equity base to 1.4m shareholders.

More than 700,000 small investors have applied to buy shares in Repsol, which had some 580,000 shareholders after it completed its offering last year.

The public response to the sales of state-held equity in blue-chip companies will spur plans to step up the privatisation programme. The government is considering placing half its 66 per cent stake in Endesa, the dominant electricity group, on the markets this autumn in an issue that would be worth Pta750bn – by far the biggest offering on the domestic markets.

Sepi, the government agency which owns the Repsol stock, yesterday fixed a maximum price for the retail tranche at Pta6,327. This was based on the weighted average of the past five days' trading on Madrid's Bolsa. The price compares with yesterday's close of Pta6,370, a record for Repsol stock, and with the previous high of Pta6,300, reached on Friday.

The retail tranche will carry a 4 per cent discount on the issue price for institutions, which will be fixed after the market closes in New York next Monday.

Repsol president Alfonso Cortina: extraordinary support was shown for the private offering for shares in the company

ITT Industries buys US pump maker for $815m

By Richard Tomkins in New York

ITT Industries, a spin-off from the conglomerate broken up at the end of 1995, yesterday announced its first large acquisition since gaining independence with an agreement to buy Goulds Pumps, a big US pump manufacturer, for $815m in cash.

The deal will turn the US-based ITT Industries, already number two in the $15bn-a-year world market for pumps, into world leader. Goulds Pumps, which made net profits of $34.7m on revenues of $774m last year, ranked number six.

ITT Industries had been wooing Goulds Pumps for some time, and appeared to be paying heavily to win control of the company. The agreed price of $37 a share was 62 per cent higher than its closing price of $22⅞ on Friday. Goulds Pumps' shares shot up 58 per cent to $36¼ in early trading yesterday.

ITT Industries predicted that the acquisition would add to earnings per share in the first full year and would make "significant" contributions from then on.

In early trading, its own shares rose $¼ at $23⅞.

Pumps are used in a wide range of applications such as water supply and waste-water disposal and in the oil and mining industries. The fastest growth in demand is coming from developing countries, where big investments are being made in infrastructure projects.

ITT Industries, which made net profits of $222.6m last year on revenues of $8.7bn, has three main divisions: automotive; defence and electronics; and fluid technology, which includes pumps.

The automotive components division is the biggest of the three, but it is also the slowest-growing. As a result, ITT Industries has been looking for ways of building its electronics and fluid technology businesses.

Mr Travis Engen, chairman and chief executive of ITT Industries, said ITT and Goulds Pumps were "a superb fit" because they had strengths which complemented each other. For example, ITT Industries was a leader in municipal waste-water disposal, while Goulds Pumps was a leader in municipal water supply.

Mr Engen said cost benefits would flow from combining the two companies' manufacturing, sales and support functions, and from the economies to be gained from uniting operations in overseas markets.

One big beneficiary of the deal will be Gabelli Asset Management, a fund management company based in Rye, New York, which holds nearly 20 per cent of Goulds Pumps' stock. Mr Mario Gabelli, chief investment officer, said yesterday's rise in the share price had delivered a profit of about $55m.

Fidelity reshuffles to focus on institutions

By John Authers in New York

Fidelity Investments, the world's largest fund manager, yesterday unveiled a management reorganisation aimed at shifting emphasis towards the institutional market, and away from its traditional strength in mutual funds sold direct to consumers.

Mr Gary Burkhead, 55, wbo has heen chief executive of Fidelity Management & Researcb, tbe investment adviser to Fidelity's mutual funds, for the past 10 years, has been promoted to vice-chairman of the parent company and president of Fidelity's institutional group.

The move signals the importance Fidelity is giving to the retirement market, particularly 401(k) corporate pension plans in the US, and opportunities to manage large public pension funds outsida the US.

Mr Ned Johnson, Fidelity chief executive, said tbe company's institutional business had grown significantly in recent years, and now represented more than half its assets. Mr Burkhead's new rola would allow the company to focus on the product and service needs of its institutional clients.

Mr Burkhead will be replaced by Mr Robert Pozen, a former general counsel for the company. His promotion appears to thwart speculation that he would be nominated as a US trade representative for Asia.

In the past few months Mr Burkhead has become the company's spokesman in its attempt to reassure investors after the performance of several of its best known funds fell last year.

Critics of the company suggested he should also take responsibility for tbe mntual funds' problems, particularly the decision to move a large portion of the flagship Magellan fund into bonds at the end of 1995, which caused it to miss out on last year's stock market rally.

Magellan suffered besvy withdrawals last year. This was the chief reason why Fidelity's share of new cash flow into mutual funds slipped from first to third.

While its fund flows appear to have stabilised this year, observers are still concerned by a series of defections of senior fund managers and analysts to smaller companies. The latest was announced yesterday when Mr Bart Grenier, assistant head of Fidelity's equity department, said he was leaving to join a specialist fund manager in Boston.

AT&T earnings slip as expenditure rises

By Louise Kehoe in San Francisco

AT&T, the US telecommunications group, reported a decline in first-quarter earnings as it spent heavily on network improvements and new growth opportunities including the US local calling market.

Net earnings for the quarter were $1.12bn, or 69 cents a share, compared with year-ago profits of $1.47bn, or 92 cents. Operating income declined 30 per cent to $1.69bn.

The company had warned Wall Street analysts last month tbat it expected a decline in earnings of as much as 30 per cent for the year, so the first-quarter results came as no surprise.

"Results are wbere we expected them to be as we implement our strategy," said Mr Robert Allen, chairman. "As we move forward, we remain steadfast in our commitment to grow our core business, invest in growth initiatives, cut costs, focus our resources and meet our earnings targets."

Operating expenses increased 10.1 per cent in the quarter to $11bn as AT&T moved to expand its networks for local services. Revenues from continuing operations rose 1.5 per cent to $13.05bn, from $12.85bn in the 1996 first quarter.

The revenue increase was driven in part by growth in local telepbone services, wbere AT&T is moving to compete with establisbed US regional operators, the company said. Revenues from long-distance calling services sold to businesses and wireless telepbone services also picked up.

Revenues from business long-distsnce services increased $129m to $5.45bn, with rapid growtb in data services and solid growth in calling volume, the company said. However, these areas of growth were partially offset by a decline in revenues from consumer long-distance telepbone services, whicb dropped 1 per cent to $6.06bn for the quarter.

Revenues were hit by increased competition and a marketing scbeme that provided free long-distance calls to existing AT&T customers, the company said.

Revenoes from local and other new services increased by $134m to $459m, a 41.2 per cent gain. The revenne growth was driven by "outsourcing" businesses in whicb AT&T takes on responsibility for corporate communications services.

Robert Allen: 'Results are wbere we expected them to be'

US oil groups begin year well

By Christopher Parkes in Los Angeles

US oil stocks rose in early trading yesterday after Exxon, an industry leader, reported a 15 per cent increase in first-quarter profits to $2.2bn.

While earnings per share of 87 cents beat market forecasts by 4 cents, the results were given added impact by Exxon's claim of rising profits in all divisions.

Exclnding a $125m gain from a one-off credit in the comparable part of 1998, Exxon's income increased 24 per cent to set a new record, the company said.

First-quarter results from Amoco were also better than expected. Earnings per sbare of $1.36 compared with predictions of $1.34 and $1.47 achieved a year ago. The group said exploration and prodnction earnings, belped by bigber energy prices, rose almost 30 per cent to $365m.

Exxon stock rose $¾ to $53⅞ in morning trading, driving up prices of shares in other oil majors dne to report this week and next.

Group earnings were helped by crude oil prices which averaged $3 a barrel more than in the first 1996 quarter, in spite of weakening to year-ago levels by the end of the period.

Improving conditions in the refining and marketing business were underscored by a recovery in US earnings from these operations to $57m. This compared with a $16m loss last time. Profits from European refining and marketing surged 56 per cent to $297m from $190m.

Group revenues were up 8 per cent from $31.2bn to $33.6bn. Chemicals sales rose 8.5 per cent to a record $3.42bn.

Meanwhile Amoco, which reported a steep fall from $240m to $147m in its chemicals earnings, said margins on some of its main prodncts had fallen, and blamed lower profits from petroleum products on higher maintenance costs at its refineries and reduced output.

The company bought 3.2m of its own shares in the quarter at a cost of $275m. Exxon also spent $279m to buy back 5.3m of its shares during the quarter, and continned into the current quarter, spending a further $1aam on 2.7m units between April 1 and April 18.

Dollar strength limits sales growth at Eli Lilly

By Daniel Green

The strong dollar held back growth at US drugs company Eli Lilly during the first quarter of 1997.

Sales were op 10 per cent at $1.95bn, from $1.78bn in the first quarter of 1996, but would have been 13 per cent higher without the currency movements, said Lilly.

US sales rose 21 per cent, while foreign sales fell 5 per cent. Excluding exchange rates, foreign sales rose 3 per cent.

Earnings per share for the quarter rose 15 per cent from 71 cents to 82 cents, excluding charges. But the shares fell over 1 per cent yesterday in early trading to $84⅛.

Lilly's price earnings ratio of 26 times puts it in the highest-rated 25 per cent of its sector, said one New York analyst. "The market is saying that is too high," be said.

But he argued that Lilly's underlying growth was still strong. Operating income rose 21 per cent to $638.8m for the quarter.

A one-time charge relating to the ending of a collaboration with US biotech company Somatogen and a reduction in income from licensing agreements left net income up 11 per cent st $433m, or 79 cents a share.

New product sales were strong, with a take-off in revenoes from the company's schizophrenia drug, Zyprexa. Launched in the last quarter of 1996, it recorded sales of $105m in the first quarter of 1997. By the end of the quarter, Zyprexa had a 10 per cent market share in the US, said Lilly.

Sales of Reopro, the heart drug, more than doubled to $52m, but sales of the company's flagship product, Prozac, rose only 3 per cent to $436m. Mr Randall Tobias, chief executive, hlamed the slow growth on wbolesaler stocking at the end of 1996.

Barrick declines on lower output

By Bernard Simon in Toronto

Toronto-based Barrick Gold suffered a rare setback in the first quarter with an 11 per cent drop in output, including a 35 per cent plunge at its flagship Betze-Post mine in Nevada.

The production drop and the consequent jump in unit costs more than offset a higher gold price, pushing net income down 24 per cent.

Net earnings slipped from US$72m, or 20 cents, a year earlier to $55m, or 15 cents a share, in the three months to March 31. The latest figure was at the low end of analysts' estimates.

Due to active bedging, Barrick received an average gold price of $420 an ounce, up from $413, compared with an average first-quarter spot price of $352.

But cash operating costs rose from $179 to $196 an ounce. Operating cash flow shrank from $121m to $101m.

Total gold output fell from 800,500 ounces to 712,400 ounces. Ms Catherine Gignac, analyst at Deacon Capital in Toronto, described the drop as a surprise. "This may cause s bit of short-term pressure on the stock," she said.

The shortfall st Betze-Post was partly caused by lower grades as a result of a planned shift to a new mining area.

Barrick said output would remain at present levels in tbe second quarter, but would rise markedly in the second half of the year as it mines higber grade material.

The decline at Betze-Post was partly made up by the adjacent Meikle mine, which began operations last September using the same processing facilities.

Total output from tbe Goldstrike property, on which the two mines are located, fell from 507,100 ounces to 459,400 ounces. But the company still expects to achieve its total production target for 1997 of 3m ounces, with earnings comparable to last year.

Barrick denied rumours it was buying shares in Bre-X Minerals, the Calgary-based exploration company whose claim of a buge gold discovery st Busang, Indonesia, has recently been thrown into doubt.

Bre-X shares have tumbled to less than a tenth of last year's peak, pending the outcome of an indapendent audit of samples from Busang.

Indonesia invited Barrick to participate in the Busang project last autumn, but it was lster sbut out.

Barrick sbares edged np five cents to C$32.65 in Toronto at middsy yesterday. Most gold stocks benefited from a slight improvement in the bullion price.

Unisys beats forecasts with $19.3m profit in term

By Louise Kehoe in San Francisco

Unisys, tbe computer systems and services group, reported improved first quarter results and said it was "on track" to achieve profitability for the year.

Net income for the quarter was $19.3m, against a net loss of $13.4m in the same period last year. On s per-share basis, after payment of preferred dividands, the net loss for the quarter was 6 cents s share against s loss of 25 cents s year ago.

The loss was narrower than Wall Street analysts had predicted and Unisys' sbare price rose 6 per cent to trada st $6¼ in mid-session.

Revenue for the first quarter increased 8 per cent to $1.53bn, from $1.42bn in the year-ago quarter. The negative impact of currency translation reduced revenues by about 2 per cent, the company said.

"We are on track toward our goals of delivering quarterly, year-over-year financial progress and full-year profitability in 1997," said Mr James Unruh, chairman and chief executive.

Unisys recorded losses for the past three years as it struggled to transform its traditional mainframe compnter based business into a modern computer systems and services group.

James Unruh: gronp on track to meet financial goals

The improved results demonstrate significant progress, the company said. However, they come come as Unisys is undar moonting shareboider pressure to spin off its computer hardware division.

Greenway Partners, a New York investment group that is Unisys' largest shareholder, with a 4.6 per cent stake, has mounted a challenge to the company's directors and will seek a vote for its spin-off plan at the annual shareholders' meeting on Thursday.

Mr Unruh, wbo is opposed to the plan, said that Unisys had continued to "clearly build momentum under our three-business, one-company structure". He maintains that Unisys' three business units are highly interdependent, although they operate independently.

The company's structure had improved tbe ability of its three units to capture business opportunities in their respective markets, while enabling the company to offer an integrated source of solutions, be said.

Unisys said that revenue increased across all three business units. Gains in the hardware division were driven by strong demand for enterprise server systems. The performance of its global services unit was boosted by strong growth in distributed computing support services.

The information services group continued to make progress, and aims to achieve operating profitability by the end of the year.

AMERICAS NEWS DIGEST

Texas Instruments sells software unit

Texas Instruments, the US electronics and semiconductor group, will sell its software business to Stirling Software, also of Dallas, Texas, for $165m in cash. The sale is tha latest in a series of divestments. Over the past year the company has sold its defence electronics division and its lap-top computer operations. It plans to focus on its core semiconductor operations and in particular on digital signal processing technology. Founded in the mid 1980s, Texas Instruments Software is a leader in component-based software development tools. The division, with headquarters in Plano, Texas, has over 1,300 employees worldwide.

Sterling Software will acquire all of the division's assets, including international operations. It plans to merge TI's software operations with its own applications development business.

For its fiscal year ended September 30 1996, Sterling Software reported revenue of $439.2m. For the calendar year 1996, Texas Instruments Software reported revenue of about $250m. *Louise Kehoe, San Francisco*

Marsh & McLennan up 15%

Sharply increased revenues from mutual funds helped Marsh & McLennan, the world's largest insurance broker, announce profits of $164m for the first quarter yesterday, a 15 per cent increase on the equivalent quarter of 1996.

Growth was sluggish in its core insurance brokerage business where revenues increased by barely 1 per cent, from $555.5m to $562.7m. The company said it believed these results were good given the difficult competitive climate, and low profit margins for the industry.

There has been a range of acquisitions within the sector in an attempt at consolidation, headed by last montb's $1.8bn acquisition by Marsh & McLennan of Johnson & Higgins, a privately held US broker.

Marsh & McLennan's results were belped by the income from Putnam investments, its Boston-based fund management company, which last year attracted more new cash flow into mutual funds through brokers and intermediaries than any other manager. Its funds under management have increased 32 per cent since the end of Marcb last year, from $135.9bn to $179.6bn, helping revenues to increase 10 per cent to $305.4m.

The group's management and benefits consulting arms also fared well with revenues of $305.4m, up from $276.9m in the first quarter of last year. *John Authers, New York*

Nabisco continues advance

Nabisco, the US food company controlled by RJR Nabisco, the tobacco and food group, turned in a 23 per cent increase in net profits from $53m to $64m in the first quarter, continuing the strong advance of last year's fourth quarter. Earnings per share were 20 per cent ahead at 24 cents, just above analysts' forecasts of 23 cents.

The company said the profit increase was driven mainly by efficiencies and lower operating costs resulting from last year's restructuring, together with a fall in the tax rate. World-wide sales fell 4 per cent to $1.9bn because there were fewer selling days in the fiscal quarter and because of disruption caused by a reorganisation of the US biscuit sales force.

US biscuits increased its contribution to operating profits 7 per cent to $134m, largely because marketing boosted sales of Oreo cookies. US foods increased operating profits by just 3 per cent to $65m, partly because of a campaign to reduce the retail trade's large inventories of condiments and spreads. The international operating contribution rose 8 per cent to $54m, mainly driven by acquisitions and increased operating efficiencies. *Richard Tomkins, New York*

Union Carbide profits static

Union Carbide, the US chemicals group, yesterday reported unchanged first quarter net income of $157m, or $1.14 a share, up from $1.11 a share, on sales of $1.63bn, against $1.5bn. The group said its basic chemicals and polymers unit reported an operating profit of $62m, up from $58m a year ago. The company attributed the rise to improved volumes and prices for ethylene oxide and glycol, and lower feedstock costs.

The specialties and intermediates unit recorded an operating profit of $184m, down from $193m a year earlier. Union Carbide said this was due mainly to weak prices for solvents, intermediates and monomers, as well as increased energy costs and higher costs for the raw material propylene. This was partly offset by higher volume and licensing income.

Agencies, Danbury, Connecticut

Trans World losses deepen

Trans World Airlines, reeling from heavy losses at a time when other US airlines are making big profits, plunged further into the red in the first quarter, the company reported yesterday: but Mr Gerald Gitner, chairman and chief executive, said the company had faced unusually heavy costs, and he predicted a return to profitability.

Net losses after preferred stock dividends rose from $61.1m to $74.4m, increasing the loss per share from $1.46 to $1.54. Revenues were down from $782.4m to $762.3m and the company's cash balance at March 31 was down from $181.6m to $136.5m. Mr Gitner said the first quarter included unusual costs including an accelerated maintenance schedule for the company's narrow-body aircraft and training costs associated with the previously-announced phase-out of its wide-body aircraft. These costs would decline as the company moved into the second and third quarters, traditionally more profitable for airlines than the quiet winter period.

"The heavy emphasis being placed throughout this airline on improved schedule reliability will continue and will be a major factor in restoring TWA to profitability," Mr Gitner said. *Richard Tomkins*

Reynolds to sell rolling mill

Reynolds Metals said yesterday it had signed a letter of intent to sell a North Alabama rolling mill to Aluminium Co of America. It expected to realise an after tax loss in the range of $225m to $335m, or $3.10 to $3.45 a share. Reynolds also said it had determined, as a result of a previously announced review, that certain plants and businesses were no longer a strategic fit. "We are in the process of addressing these plants and businesses, and are proceeding with several favourable opportunities," its statement said. It would provide a comprehensive report on the results of its portfolio review when it announced second quarter results.

Assets included in the sale to Alcoa are the Reynolds Alloys rolling mill, two nearby reclamation plants that provide input metal to the mill, and the Sheffield coil coating facility. The principal product manufactured by Reynolds there is aluminium sheet used to produce beverage cans and ends, primarily for use by Reynolds can plants. *Reuter, Richmond, Virginia*

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COMPANIES AND FINANCE: ASIA-PACIFIC

State delays San Miguel, CCA deal

By Justin Marozzi in Manila

The future of a \$2.9bn deal between San Miguel, the Philippine food and beverage group, and Australia's Coca-Cola Amatil (CCA) was unclear last night after a government body that is a leading shareholder in San Miguel gave it two weeks to renegotiate terms.

Earlier this month, San Miguel announced it was selling its 70 per cent stake in its domestic Coca-Cola bottler to CCA and taking a 25 per cent stake in the enlarged CCA, thus becoming its second largest shareholder. Although analysts welcomed the strategic direction of the deal, concerns have been expressed over the terms.

Mr Magtanggol Gunigundo, head of the Presidential Commission on Good Government, a body set up by former president Ms Corazon Aquino to recover assets believed to have been fraudulently acquired during the Marcos years, said his approval of the deal at the annual shareholders' meeting last Tuesday had been conditional on two fronts.

The PCGG, which holds 48 per cent of the group, said San Miguel had to receive a "fair valuation" for its domestic bottler and should be able to install either a treasurer or comptroller in CCA. The three directors San Miguel will have on the CCA board were insufficient, he said.

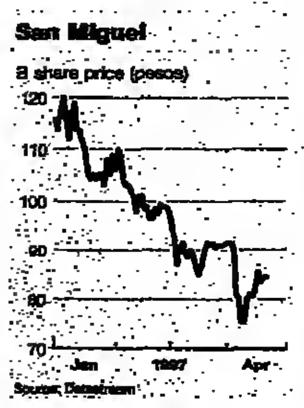
Although the PCGG holds two tranches together worth 48 per cent of San Miguel, it is only allowed to vote the smaller stake worth 20 per cent.

Mr Gunigundo said the group required the approval of those votes in order to carry through the deal.

"My approval is a qualified yes. The moment the conditions are not fulfilled it becomes a no," he said. "I hope they have taken the first step to take this matter seriously."

Mr Gunigundo said the respective performance of San Miguel and CCA shares since the merger was announced was evidence that the Philippine group had not secured a good deal. Shares in San Miguel have fallen as much as 17 per cent whereas CCA shares jumped 8 per cent on news of the merger.

The increased assertiveness of the PCGG comes amid criticism from some analysts that the institution has a damaging impact on corporate governance.



Corporate Japan suffers split personality

Annual results season is set to show a growing gulf between top performers and the 'laggards'

Japan's corporate sector is in an ambiguous state: feast and famine at the same time.

That will become obvious over the next month when nearly 1,500 quoted companies publish results for the year to March. Japan's annual reporting season begins on Thursday with Nomura Securities, followed by Daiwa and Nikko Securities the next day, reaching a peak at the end of May.

It will reveal contrasting fortunes, highlighting the changing structure of Japan's economy as cost cutting, economic deregulation and a weak currency begin to bite. The contrast has been reflected in share prices since late last year, when the market began to show an acute division between the "nifty fifty" high performers and the rest.

This polarisation "is about more than just asset values... it is also about who can survive and succeed in the face of deregulation in Japan," says Mr David Pike, head of research at BZW Research in Tokyo.

The coming results will show a feast for exporters, who have cut costs under the influence of global competition and seen the value of their foreign earnings inflated by the 14 per cent decline of the yen over the past fiscal year.

It has been a famine for domestically oriented companies, dependent on a sluggish economy, insulated from competition and hit by the rising cost of imported materials and oil.

Japan's quoted companies are expecting an overall rise of just over 23 per cent in net profits, excluding financials. That is less than half the 58 per cent increase reported by the top quoted companies last year, but reasonable given that they are well past the peak of the cycle.

There may be pleasant surprises from exporters benefiting from the weak yen – such as Nintendo, Sony and Honda – as well as from companies reaping the gains of deregulation in sectors where barriers to competition are starting to fall, such as telecommunications and retailing.

Car producers will be among the strongest performers, estimating an average net profit increase of 65 per cent. Record earnings are expected from Toyota.

However, there will be bad news from companies dependent on imported energy, such as electricity and paper groups. There may also be shocks from both industrial and financial companies hit by losses on equity portfolios as a result of the Tokyo stock market's 16 per cent decline over the fiscal year, and from any company exposed to falling property prices. Power companies are expecting stagnant profits, while construction and property groups are predicting showers of red ink.

The banking sector will report a recovery because of their decision to write off fewer bad debts in 1996 than in the previous year. In contrast, securities houses are expecting a collapse in profits after their decision in 1996 to write off debts of non-banking affiliates, also casualties of the property crash.

Where, in this contrasting picture, is the best value to be found? Tokyo analysts argue, as they have done for the past four years, that the market is beginning to look cheap. They were wrong before, but they may be less wrong now.

Assuming the leading quoted companies' forecasts for the current year are correct, the price earnings ratio will fall to 34 on this year's expected earnings, from 40 in the year just ended.

That is high compared with other world stock markets, but it is unsurprising in the light of Japan's own record, as it brings ratios close to the top end of their level just before asset prices started to inflate in the mid-1980s. "Whichever valuation measure you use, they all show a relatively similar picture – that we are flirting with the pre-bubble range," says Mr Pike.

Japanese earnings ratios are so high partly because share prices are artificially supported by the 60 per cent of the market held by Japanese companies themselves. Earnings, meanwhile, are artificially depressed because corporate treasurers tend to do all they legally can to understate profits, in order to minimise the effect of the highest corporate tax rates in the developed world.

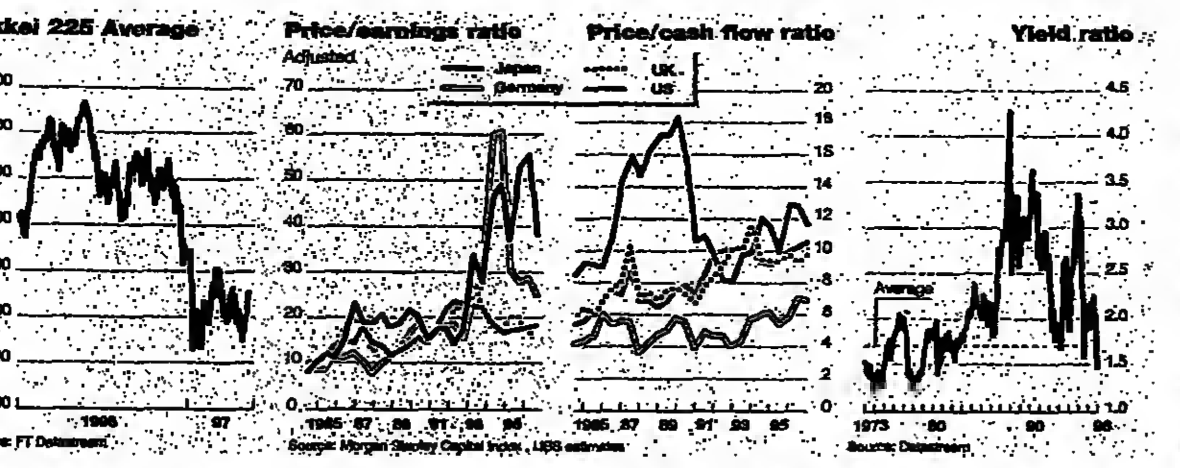
One measure that gets round this distortion is the ratio of price to cash flow. At just under 12, the Tokyo market's price to cash flow ratio is little more than the US, points out Mr Jason James, equity strategist at HSBC James Capel in Tokyo.

A third gauge is the ratio between earnings yields and bond yields. Mr James estimates that this ratio will fall from 1.1 – meaning that Japanese government bonds currently yield slightly more than shares – to 0.75, on the basis of companies' earnings forecasts for the current year. That would the lowest recorded.

But there is a catch. Japanese shares' apparent cheapness does not imply an imminent market recovery. Most analysts assume the Bank of Japan will raise interest rates in the next year or so - an obvious negative for share prices. They also assume that companies' hidden liabilities, a legacy of the bubble era, will continue to emerge as Japan moves closer to international market accounting standards.

Several Tokyo strategists are thus advising investors to play safe and stay with the competitive blue chips. The division of a formerly cohesive stock market into leaders and laggards is becoming a self-fulfilling phenomenon.

William Dawkins



ASIA-PACIFIC NEWS DIGEST

Regent Pacific to float next month

Regent Pacific, the Hong Kong fund management group with a reputation for making hostile takeover bids, has started its international roadshow prior to next month's flotation. The group plans to raise between US\$50m and US\$55m through a listing on the Hong Kong stock exchange. Nomura Research Institute is sponsoring the issue and it is understood that the price earnings multiple will be in the range of 8.8 to 10.4 times prospective earnings.

Pre-tax profit dipped last year from \$22.8m to \$22m, because of losses from associated companies. However, earnings per share have been growing by a compound average of 33 per cent between 1992 and 1996, according to the company. Last year, when turnover stood at \$37.6m, around a third of revenues were generated from annual management and investment advice fees and 11.7 per cent from performance fees. Corporate investments accounted for 38.3 per cent of income.

As at the end of February, the group had around \$1.77bn of assets under management. Regent Pacific is also engaged in corporate finance, corporate investment and specialist broking/dealing in the fledgling Russian securities market.

Management and staff hold 41 per cent of the group's capital, with the balance held by international institutions including The Equitable Life Assurance Society of the UK and Tokio Marine & Fire Insurance of Japan. *Louise Lucas, Hong Kong*

Westpac plans further cuts

Westpac, the Australian bank, has indicated a further heavy round of cost-cutting to deal with falling interest margins. Mr Bob Joss, chief executive, yesterday said he planned to cut "at least 100 basis points" from Westpac's operating costs in the short term. "We're in a cyclical decline in bank margins. About two-thirds of our costs are related to staff and real estate. There's no point in us trying to protect the jobs of yesterday. We need to have fewer but larger, more efficient branches," he said.

Mr Joss said Westpac, which has bid A\$1.4bn (US\$1.08bn) for regional competitor, Bank of Melbourne, had achieved cost savings of about A\$38m in another recently acquired regional bank, Challenge. Despite reducing Westpac's total staff by about 25 per cent in the past few years, nearly 60 per cent of the bank's expenses remained staff-related. *Bruce Jacques, Sydney*

Auckland airport may list

Merrill Lynch has been appointed to review the capital structure of the Auckland International Airport, which may lead to a public flotation of the company, valued at up to NZ\$1bn (US\$691m). The coalition government, which owns a 51.6 per cent stake in the company, has ruled it is a non-strategic asset, which means it can be sold.

However, a sale would depend on the agreement of the other main shareholder, the Auckland City Council which owns 25.8 per cent. In the past Auckland councillors have tended to be reluctant to sell assets. In the year to June 1996 the airport paid a NZ\$23m dividend. The assets were valued at NZ\$460m and its shareholders' equity at NZ\$380m. The company faces intensive capital repayments including spending NZ\$250m on a second runway and upgrading the domestic terminal. *Terry Hall, Wellington*

Thai finance companies slide

By William Barnes in Bangkok

The depth of the Thai finance sector's misery was underlined yesterday by a swathe of poor first-quarter results that were below most analysts' already gloomy expectations.

"We're looking at a first half [for 1997] that will be the worst for at least five years," said Mr Kenneth Ng, analyst at ING Baring Securities.

Phatra Thanakit, the country's second-biggest finance and securities house, reported a 58 per cent drop in net profits to Bt204.8m (\$7.85m) compared with Bt483.9m in the same period last year.

The forecast for 1997 is a net profit of Bt1.58bn. Phatra has achieved only 13 per cent of that and is still out-performing most other houses.

Phatra supplied no reasons for the profits decline, but its provisions for bad debts and anticipated loan losses are likely to have hurt.

The company said it boosted bad debt provisions by Bt174.9m over the quarter to Bt822.4m. No comparable figures were available in 1996.

"There was no surprise in yesterday's results: the finance houses pursued a very aggressive lending strategy and it has all gone horribly wrong very quickly," said Mr Mike Stead, head of research at Union Securities.

The Stock Exchange of Thailand index fell 66.02 points to 694.21 and could soften again today. Phatra was unchanged at Bt42.5.

The silver lining in yesterday's figures was the knowledge that the poor performance of the last two quarters may not be repeated quite so severely in the future.

"The market was down 16 per cent in the first quarter with low volume and the finance side was squeezed by high interbank rates and the need to increase provisions for bad debts [as demanded by the Bank of Thailand]," according to Mr Rob Collin the head of research at brokers Asia Equity.

Mr Ng said the top houses appear to have benefited from a flight to quality after depositors took their money away from smaller lenders.

"The key to survival is liquidity: away from the big companies the situation is pretty dire," Mr Ng said.

Baring expects that overall finance house profits will fall by 20-30 per cent this year, compared with a decline of 18 per cent last year.

Non-performing property loans, increased provisions and lower trading commissions all drag down first-quarter profits at Krung Thai Thanakit by 77 per cent to Bt70.8m.

Similarly, General Finance & Securities reported profits of only Bt74.9m in the first quarter, compared with Bt210m over the same period last year.

The commercial banks reporting yesterday appeared robust by contrast, although several have recently warned that earnings are likely to be flat this year as provisioning for bad debt takes its toll.

Bangkok Bank, south-east Asia's biggest, followed this trend by posting unaudited first-quarter net profits 0.6 per cent lower at Bt5.02bn.

The medium-sized First Bangkok City Bank said net profits rose 25 per cent to Bt1.18bn, but did not give any details.

Thai Danu Bank said first-quarter profits climbed 49 per cent over the quarter to Bt300.8m. No details were revealed in the filing to the stock exchange.

Thai Danu Bank shares have been suspended since March 3 pending its takeover of the country's biggest investment bank, Finance One, which ran into a cash squeeze.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.04.97: Pool purchase price £/MWh	Post Prices for Trading on 20.04.97: Pool purchase price £/MWh	Post Prices for Trading on 20.04.97: Pool selling price £/MWh
0030	11.65	14.43	15.67
0100	11.60	14.43	15.67
0130	11.67	14.43	15.67
0200	18.50	14.43	15.67
0230	18.81	14.43	15.67
0300	18.81	14.43	15.67
0330	18.81	14.43	15.67
0400	18.81	14.43	15.67
0430	18.81	11.88	11.88
0500	18.81	11.88	11.88
0530	22.19	13.96	15.20
0600	22.19	13.96	15.20
0630	22.19	13.96	15.20
0700	22.62	15.10	16.34
0730	24.79	22.50	23.74
0800	31.75	23.53	24.77
0830	34.90	23.53	24.77
0900	39.79	23.53	24.77
0930	32.16	26.78	28.02
1000	32.18	26.78	28.02
1030	32.20	26.78	28.03
1100	32.14	43.81	45.05
1130	32.04	43.81	45.06
1200	26.47	62.10	63.35
1230	26.30	62.10	63.35
1300	28.11	43.80	45.05
1330	25.94	26.78	28.02
1400	25.90	23.54	24.78
1430	34.15	23.53	24.78
1500	34.13	23.53	24.77
1530	22.96	23.28	24.52
1600	22.90	23.29	24.53
1630	40.53	23.54	24.78
1700	23.02	31.85	33.09
1730	40.53	31.85	33.09
1800	40.51	31.85	33.10
1830	22.98	31.94	33.22
1900	22.88	49.73	51.03
1930	22.88	57.47	58.76
2000	11.88	49.65	50.91
2030	22.88	31.85	33.09
2100	38.27	31.84	33.08
2130	52.28	23.53	24.77
2200	52.28	22.70	23.94
2230	33.81	19.40	20.64
2300	27.65	19.40	20.64
2330	22.61	11.67	11.87
2400	18.54	11.67	11.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. [illegible]

COMPANIES AND FINANCE: UK

Premier Farnell makes progress

By Christopher Price

Premier Farnell's attempts to restore credibility following January's profits warning and disappointing trading after last year's £1.85bn ($2.99bn) acquisition were buoyed yesterday, wben the electronics components distributor announced an 82 per cent increase in underlying annual pre-tax profits.

The results, including a 10-month contribution from Premier, the US distributor bought by Farnell last year in a deal that left the merged group heavily indebted, showed net debt falling from £410m to £187.3m. Negative shareholders' funds fell from £99.2m to £5.8m.

However, Mr Howard Poulson, chief executive, cautioned that the slowdown in semi-conductor sales, which had caused a knock-on effect to other components and led to January's profits warning, was recovering only slowly.

He had regrets over the events of the past year. "We made a lot of promises at the time of the Premier purchase, hut circumstances outside our control meant we we unable to meet all of them. However, our credibility demands that we now have to deliver the goods."

The Premier deal was opposed by a minority of shareholders, who argued that Farnell was overpaying and that the UK group's management was too inexperienced to run a global distribution operation.

Mr Poulson said the acquisition remained a long-term strategic deal which was still on course to deliver.

The company also underlined its new management structure, introduced Mr Malcolm Bates, formerly deputy managing director of GEC, as chairman, and publisbed a more detailed results statement than normal. Relations with BZW, the group's stockbroker, had also been mended: the two publicly fell out over circumstances surrounding the profits' warning.

The rise in pre-tax profits to £137.4m was struck on sales 82 per cent ahead at £982.6m. The group disposed of its voluma distribution business, FES, during the year, which significantly helped reduce debts. From continuing operations, operating profits amounted to £132.1m (£45.6m) on sales of £637.5m (£182.6m). Headline pre-tax profits rose from £110.8m to £173m.

Earnings per share fell a third to 36.5p, and adjusted for the rights issue they declined 18 per cent to 29.1p. A final dividend of 6.8p makes 12p for the year, a rise of 17 per cent.

The shares closed up 1p at 500p.

JBA in $18m French purchase

Ashley Ashwood

Alan Vickery and David Williams, finance director: 15 year run of unbroken profit growth and looking forward to another

By Paul Taylor

JBA Holdings, the business applications software vendor, plans to strengthen its position in France through the acquisition of Presys, the largest independent AS/400 distributor in tbe country, for a total of FFr101.5m ($17.5m) in cash and shares.

The proposed purchase, which is expected to be confirmed later this week, was announced as JBA unveiled strong full year revenue and profits expansion, continuing a 15-year run of unbroken profit growth.

The results eased investor jitters, which surfaced last week when JBA was forced to delay its results announcement because an accounting change had taken longer than expected. JBA's shares closed 45p up at 720p.

Pre-tax profits in 1996 increased 56 per cent to £11.3m (£7.2m). Turnover at the Birmingbam-based group, which earns a significant proportion of its revenues from installing software on International Business Machines' AS/400 mid-range computers, grew by 31 per cent to £161.8m (£123.2m).

Mr Alan Vickery, chairman, said the results were "very satisfactory," with strong growtb in Europe, North America and Asia Pacific. They bad been achieved despite two factors wbich bad substantially deflated profit before tax.

First, the decision to change accounting policy on the recognition of maintenance revenue to conform with US accounting rules decreased reported profits by £2.5m (£1.5m). Second, the strong pound cut profits by £2m and revenues by £9m.

Mr Vickery said 1997 has begun well and that the quality and size of orders made him confident of another year of steady growth.

Prudential links with Indian partner

By Tony Tassell in Bombay

Prudential, the UK's largest life assurer, has linked with an Indian partner to enter the country's life insurance market if it is opened to foreign competition.

Prudential has signed a memorandum of understanding with Industrial Credit and Investment Corp of India, a leading financial institution, to "explore opportunities in the life insurance business".

Tha UK group joins a growing number of multinational insurance companies which have formed similar alliances in anticipation of a long-awaited liberalisation of the sector which was nationalised in 1973.

But despite a report by a government committee three-and-a-balf years ago, recommending the progressive opening up of the Indian insurance market to private and foreign competition, few moves have been made.

There has been strong opposition from unions and leftist parties to any liberalisation.

Prudential and ICICI have also agreed to examine healthcare, pensions and mutual funds with the goal of providing a range of financial products.

CWS hopes to halt Lanica at AGM

By David Blackwell

The Co-operative Wholesale Society is hoping to halt a hostile bid being prepared by Mr Andrew Regan's Lanica Trust, by seeking members' support at its annual meeting next month for a motion to refrain from any dealings with the predator.

Mr Lennox Fyfe, chairman, said yesterday that the board was unanimous that there were no CWS businesses up for sale.

He trusted that the resolution – to be tabled by the CWS Scottish Southern Regional Committee – would put the seal on the policy of retaining the mutual and co-operative nature of the CWS.

At a time when members of building societies are eagerly supporting the transformation of those mutual societies into limited companies, it has been suggested that individual members of CWS, as distinct from its corporate entities, might also be interested in conversion, with the possibility of associated windfall gains. Mr Fyfe dismissed this idea brusquely. "The co-operative movement has a long tradition of attending to things that matter much more than mere money."

Mr Regan's plans to launch a £1.2bn bid for the whole of the CWS last week were torpedoed by a High Court injunction on Friday. The injunction prevents Galileo, the offshoot of Mr Regan's Lanica Trust that will make tha offer, from using documents that it had received from Mr Allan Green, a CWS executive, who was suspended on Thursday for "a suspected recent serious hreach of trust". Galileo is also required by the court to file affidavits today disclosing any information received from Mr Green.

The motion to be put to the CWS annual meeting on May 17 will seek members' support of "the stance taken by the CWS board and the chief executive in the way they have handled the unwelcome approaches by Lanica." It also urges the board to "take all necessary steps to ensure that the Society's assets are secured for current and future members."

Meanwhile the CWS continued to probe the question of a payment of about £2m from Hobson, the food group formerly headed by Mr Regan, to Trellis International, a British Virgin Islands based company.

The payment was arrangad by Mr Ronald Zimet, a 51-year-old international businessman, who acted as an intermediary in negotiations relating to companies sold by the CWS to Hobson. Mr Graham Melmoth, CWS chief executive, yesterday wrote directly to Mr Regan asking for an explanation over the payment to Trellis. He also asked who was told about the payment at the CWS.

Mr Melmoth said that if no satisfactory answers about the Trellis payment were received by close of business today "arrangements will be made to see representatives of the Serious Fraud Office."

Mr Melmoth last week wrote to Hambros, the merchant hank advising Mr Regan, about the Trellis payment.

Yesterday, Sir Chips Keswick, chairman of Hambros Bank, wrote back confirming that the bank would continue to act for both Lanica and Galileo, adding that he did not believe further correspondence would serve any useful purpose.

Hobson acquired the CWS food manufacturing businesses in 1994. The Hobson 1995 interim accounts show £5m was paid (but not to whom) to extend supply contracts as an advance discount, which is normal practice in retail. The CWS says it received only £2.85m and is now seeking an explanation of the payment.

Mr Regan said yesterday that Mr Zimet had offered to negotiate an extension of the supply agreement between Hobson and the CWS that "would add value on a no-risk basis at a price acceptable to Hobson and its advisers."

COMPANIES AND FINANCE: UK

Partner urgently sought for the Zenith media buying business

Cordiant gives details of split

By Alison Smith and Jane Martinson

Cordiant, the advertising group which yesterday confirmed its plans for a three-way split of its operations, is looking urgently for a partner for Zenith Media Worldwide, its media buying business. A deal is likely within the next year.

The demerger is the final curtain for the group, which was created by the Saatchi brothers and from which they were ousted in 1995 after a high-profile and bitter struggle.

Under the plans, Saatchi & Saatchi and Bates, the groups based on Cordiant's two advertising agencies, will each own half of Zenith.

The two groups will be quoted in London and New York and shares are expected to begin trading separately early in December.

Mr Bob Seelert, Cordiant chief executive, said yesterday: "Saatchi & Saatchi and Bates would be willing to dilute their ownership of Zenith for a network that is, say, twice as big and three times as profitable."

According to analysts, among the single agency networks which might be interested in a deal with Zenith are Young & Rubicam, Leo Burnett and DMB&B.

Mr Seelert, brought in as chief executive after the Saatchi brothers' departure, said that the split was the best way to unlock the potential in the group's businesses, and would more closely align shareholders' and management's interests.

He highlighted the potential areas of new business that would be available to Bates once it no longer had to work within the "no client conflict" agreements with a handful of Saatchi clients such as Procter & Gamble, the world's biggest advertiser. These agreements exclude Bates from more than 10 per cent of worldwide advertising spend.

For the first time, Cordiant revealed separate financial details about Saatchi & Saatchi and Bates, showing broadly similar positions. On indicative information for 1996, they both had trading margins of 6.5 per cent. Saatchi & Saatchi had revenue of £360m and trading profit of £23.5m. For Bates, the figures were £375m and £24.5m.

Lord Saatchi refused to comment on the demise of the group he built up, but Mr David Herro, the Chicago-based fund manager who was instrumental in ousting the Saatchi brothers, described the demerger as "a win-win situation for everybody concerned".

Advertising industry executives were not so enthusiastic. One described the move as "total surrender". "It's just putting a for sale sign over the whole company," he said. Cordiant shares rose 5½p to finish at 135½p.

Pearson fields Australian offers

By Raymond Snoddy

Pearson, the international media and information group, has been approached by a number of Australian groups, to see whether it is interested in a stake in the Australian Financial Review, should it come on the market.

Pearson, which owns the Financial Times, looked at the Financial Review a decade ago when it looked as if it might be sold, but no formal bid was made.

There is currently no sign that Fairfax Group plans to sell its prestigious financial weekly. The interest has been sparked by an Australian government review of media ownership that could lead to a liberalisation.

At the moment, Mr Kerry Packer, who owns Channel 9, the leading Australian television station, can own no more than his existing 15 per cent of Fairfax. If Mr Packer wanted to own a paper like the Sydney Morning Herald, the thinking suggests, titles like the Financial Review might have to be floated off in the interests of diversity of opinion.

The Australian investors coming to Pearson have cited diversity of newspaper ownership as an important motive.

Pearson, which has had a long-term policy of investing in financial publications around the world, has made it clear it would be interested in a stake in the Financial Review if it became available and the terms and conditions were right.

At present, overseas companies can own only 25 per cent of national Australian media organisations – a fact that led Mr Conrad Black's Hollinger group to sell its 25 per cent stake in Fairfax last year. The 25 per cent limit might however, also change as a result of the media review.

● Pearson's confidential hot-lines set up last month in Britain and America to enable employees to report any financial "control problems" of the sort recently uncovered in Penguin USA, have thrown up no new difficulties. Apart from wrong numbers, there were about 25 calls, mainly suggesting small improvements or new ideas.

RESULTS

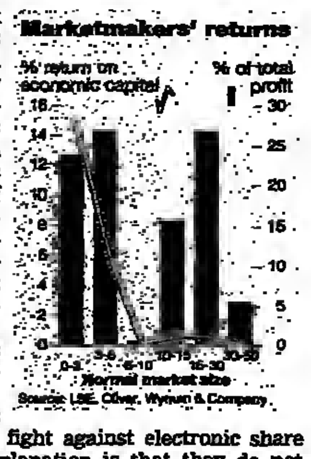
		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bisichi Mining	Yr to Dec 31	3.34	(0.898)	0.161♥	(0.114)	1.35	(0.91)	0.81	Aug 29	0.75	0.81	0.75
JBA	Yr to Dec 31 ★	161.6	(123.2)	11.3	(7.24)	18.26	(13.14)	4	July 1	3	5.1	4
London & Assoc	Yr to Dec 31	5.92■	(5.1■)	1.76	(1.73)	2.29	(1.87)	0.73	July 21	0.67	0.78	0.72
Mice	Yr to Dec 31	19	(14.6)	1.23	(0.817)	0.47	(0.31)	0.11	June	0.088	0.15	0.12
Pex	11 mths to Dec 31☆	10.2	(11.8)	0.507	(2.44L)	0.6	(12.4L)	-	-	-	-	-
Premier Farnell	Yr to Feb 2	982.8	(538.9)	173♥	(110.6♥)	36.5†	(54.8)	8.8	July 1	6.2	12	10.6
Reed Executive	Yr to Dec 29	191	(150.2)	12.3	(8.82)	15.6	(11.1)	1.3	June 19	1	2.6	2
United Energy	Yr to Dec 31	5.38	(4.13)	0.79	(0.111)	2†	(0.3)	-	-	-	-	-
Waste Management	3 mths to Mar 31	277.9	(296.4)	33.9	(35.5)	4.5	(5.7)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust High Inc	6 mths to Mar 31	84.32	(73.63)	1.79	(1.38)	3.38†	(3.16)	1.65§§	May 23	1.6	-	6.45
K'wort Endowment	Yr to Mar 31 ★	155.3	(143.8)	0.784L	(0.671L)	2.61L	(2.24L)	-	-	-	-	-
K'wort Second 2006	6 mths to Mar 31	142.9	(124.2)	0.389L	(0.334L)	1.94L	(1.67L)	-	-	-	-	-
K'wort Second 2008	2 mths to Mar 31	97.1	(95.6♦)	0.716	(-)	3.59L	(-)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ■Gross income. ☆Comparatives for 12 months to February 2. ΦAim stock. §§Second interim; makes 3.3p to date. ♦At launch in January.

LEX COMMENT

London stock exchange



Rather quietly, the Stock Exchange changed its mind last week and announced that it now favours immediate publication of all share trades from this October, when electronic dealing kicks off. Instead of howls of anguish from marketmakers such as BZW and Merrill Lynch – which have argued in the past that they need delayed disclosure of big deals to offload their risk – the proposals were greeted with deafening silence. One possibility is that the marketmakers have simply given up the fight against electronic share trading. A more likely explanation is that they do not have that much to lose from immediate publication, since they do not make much money on big trades anyway. According to figures from the exchange, the return on capital on big block trades is close to zero.

But the real reason, probably, is that the marketmakers have spotted a way out in the exchange's plans. So-called "worked" trades, where a dealer guarantees a client a particular price but tries to work in the market to produce a better one, do not have to be published immediately.

To be fair, the exchange is proposing some quite tough rules on what can count as a "worked" trade. Still, dealers will surely be tempted to stretch the definition a little if they can see commercial advantage in it. That would undermine the whole point of immediate publication, which is to promote transparency. This is an area the exchange will have to watch closely for abuse.

GrandMet in $25m sale to Seneca

Grand Metropolitan is selling, through its Pillsbury subsidiary, its Aunt Nellie's Farm Kitchens business to Seneca Foods Corporation of the US for $25m.

Aunt Nellie's, based in Wisconsin, is a glass-jar fruit and vegetable business, which operates three manufacturing plants in the US employing 280 people. Sales for 1996 were some $50m and the business broke even.

An exceptional charge of £39m arising from the sale – of which £28m is goodwill previously written off – will be taken in GrandMet's half year results to be announced on May 15.

Mr Paul Walsh, Pillsbury's chief executive, said that while the disposal was relatively small in itself, it reflected the company's strategy of exiting low return businesses.

Seneca Foods, of Pittsford, New York State, entered a strategic alliance with Pillsbury in 1995.

French election jitters prompt slide

GOVERNMENT BONDS

By Michael Lindemann in London and John Authers in New York

Jitters about a possible early election in France and the absence of any inspiring US data sent European bond markets downwards yesterday.

In New York dealers said US Treasury prices were being marked down ahead of today's bond auction.

Political uncertainty which might be sparked by an early election sent French OATs downwards initially.

However, some of those losses were recovered later in the day, especially at the long end of the market. The note of confidence on which the market ended was underlined by the fact that OATs continued to yield less than bunds. The 10-year yield spread of bunds over OATs tightened 1 basis point to -7 points.

"The French bond market is quite confident that the government will come through, albeit with a reduced majority," said Ms Ros Lifton, international economist at HSBC.

"It also takes an extremely positive view that the new government will be able to put together a very tight austerity package to keep the 1998 budget on track."

Other analysts said an early election, which would otherwise have been held next March, meant there would be less conflict with important EMU decisions to be taken next spring.

In London the June notional future fell as low as 128.20 during the day but settled at 128.28, down from 128.72 at Friday's close.

EMU jitters pushed Italian BTPs downwards on a day when they would otherwise have taken succour from the possibility of a Bank of Italy interest rate cut today.

Analysts remained divided about the likely outcome of today's Bank of Italy meeting. Ms Sharda Persaud, senior economist at San Paolo Bank, suggested that the bank would cut rates at today's meeting rather than wait for the next meeting in May when a cut might clash with a possible rates rise by the US Federal Reserve.

However, sentiment about a possible rate cut was dampened by the rise of the D-Mark. Analysts said there was no German data which justified the D-Mark rise, indicating a flight for stability from more volatile European currencies.

In London the June BTP future rose as high as 128.15 but settled at 127.39, down 0.37 on Friday's close.

Better-than-expected March M3 figures in Germany, accompanied by stable provisional inflation data for April, failed to impress the German bund market.

In London the June bund future closed at 100.46, down 0.36 from Friday's close.

UK gilts had what one analyst described as "a particularly uninspiring day".

Mr Andrew Roberts, gilt analyst at UBS, said the market had headed downwards alongside the OATs but had enjoyed none of the bounce which France and other European markets had seen in the afternoon.

"Nobody wants to deal pre-election," Mr Roberts said. "Investors are still building up their cash positions."

He noted that the 10-year yield spread of gilts over bunds had not moved outside a 7 basis point range over the last 10 days.

Yesterday the June long gilt future closed down 5/16 at 109 7/16.

Yields on US Treasuries moved upwards in thin trading in New York yesterday morning.

By midsession, the yield on the benchmark 30-year Treasury long bond had risen to 7.069 per cent, after its price fell 3/16 to 94 7/16. The trend was repeated across the yield curve, with the yield on the two-year bond increasing to 6.404 per cent.

Traders suggested that there had been little volume, and that bond prices would not move much lower. They suggested that marketmakers were attempting to push the market lower so that it would be easier to find buyers in today's auction of $17bn in two-year Treasury notes, which is due to be followed by $12.5bn in five-year notes tomorrow.

However, no economic data scheduled for release this week is expected to have a significant impact on the market, and analysts suggested that bonds, like equities, were taking the opportunity to have a quiet day after recent hectic activity.

Porsche to issue DM200m eurobond

INTERNATIONAL BONDS

By Graham Bowley in Frankfurt and Edward Luce and Richard Lapper in London

Porsche, the German luxury car maker, is to make its first foray into the international capital markets with a DM200m eurobond, the company announced yesterday.

Deutsche Bank will lead the issue of the bond, which will have a maturity of five years, with the aid of a consortium of banks, Porsche said in a statement.

The funds raised will support the "financing of future growth of the Porsche concern", the company said.

"We will be active in the capital market at regular intervals in the future," Mr Holger Härter, a company official, said.

The bond will be launched by Porsche International Financing, Dublin, but it will be guaranteed by Porsche AG. The placing of the paper will be directed at private customers, it said.

Elsewhere, Hypotebansa, a special vehicle set up by Banco Santander to securitise its mortgage portfolio, issued its fifth asset-backed offering since its debut bond in 1993.

The two-tranche floating rate bond, which was underwritten by Morgan Stanley, was split between Pta38.025bn offering and a subordinated Pta1.075bn tranche. Offered at 11 basis points and 45 basis points over three month Libor respectively, the issue was well received by institutional investors said a syndicate official. Both bonds mature in January 2018.

Merrill Lynch yesterday tested the UK market's confidence in advance of the May 1 general election with a £100m five-and-a-half year offering. Offered at a spread of 50 basis points over five-year gilts, the bond tightened to 48 basis points over during afternoon trading. Syndicate officials said that it was distributed quite evenly between UK institutional investors and continental investors mostly in Switzerland and the Benelux countries.

"The markets view a Labour government as a relatively benign prospect so there was no reason to delay the issue," said a syndicate official.

Meanwhile Ecuador has made a successful debut on the international bond market. Spreads on a $350m five-year eurobond launched on Friday at 470 basis points over Treasuries have tightened, being quoted yesterday afternoon at 444 bid/438 offer, while a $150m seven-year floater has also been well received, according to bankers in New York.

Separately bankers at UBS, which last week led a 12-year $308.9m semi-sovereign Mexican issue for Petacalco Trust, say most demand for the bond came from US institutions. Petacalco, which is linked to the Comision Federal de Electricidad, issued the bond at a spread of 325 basis points over Treasuries, a spread which has been maintained in secondary market trading.

● Vietnam has been awarded its first credit rating by Moody's Investors Services in advance of the republic's debut eurobond later this year. Moody's said that the Ba3 rating – just three notches below investment grade status – reflected Vietnam's improved economic outlook. But Moody's said that Vietnam's low domestic savings rate, undeveloped capital markets and the rapid build-up of short-term debt had constrained it from awarding a higher country ceiling.

Yesterday's rating follows the conclusion of an agreement last month between Vietnam and the London Club of commercial creditors to restructure $750m in distressed commercial debt. The deal will result in a Brady bond offering in June.

Vietnam's debut eurobond offering, which is expected to be launched at around the same time, is expected to total $100m to $150m with a maturity of either three or five years. It will be jointly managed by Merrill Lynch and Nomura Securities.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
STERLING							
Merrill Lynch & Co(s)	100	7.75	99.47R	Dec 2002	0.300R	+50(7%-02)	Merrill Lynch
SWISS FRANCS							
Telecom Corp of NZ(a)	150	3.25	102.20	May 2003	-	-	CSFB
PESETAS							
Fondo de Titulizacion (b)‡	38.025bn	(b1)	100.00R	Jan 2018	0.20R	-	Morgan Sty/Bco Santander
Fondo de Titulizacion (c)‡	1.075bn	(c1)	100.00R	Jan 2018	0.625R	-	Morgan Stanley

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Reopening clause. b) Class A (Senior). b1) 3mth libor + 11bp. 25% withholding tax unless EU resident certificate. c) Class B (Subordinated). c1) 3mth libor + 45bp. 25% withholding tax unless EU resident certificate. s) Short 1st coupon.

CAPITAL MARKETS DIGEST

Philippines bond primed for launch

Mixed feelings are greeting the Philippines' maiden 20-year Treasury bond due to be launched today, as the government seeks to deepen the local capital market. The bond, which will put the Philippines among the small group of Asian countries with local issues of such maturity, follows the postponement in New York last week of the country's inaugural $750m issue which was to include a century bond component. This was delayed because of the volatility of US bond markets in the wake of the recent hike in interest rates by the Federal Reserve.

The issuance of the local bond, however, is in a different league at just 2bn pesos ($76m) and poses less cost to the authorities. It is hoped the offering will stimulate and deepen the country's nascent debt market which at present is dominated by the public sector and a handful of blue-chip companies such as PLDT, the former telecoms monopoly. The 20-year bond will improve the access of local companies to longer term borrowings by setting a benchmark but economists were divided yesterday on the merits of the issue.

"Although there are some negative sentiments over Thailand spilling over into the Philippines, the macroeconomic fundamentals are sound: growth is forecast at 7 to 8 per cent, liquidity is within limits, the peso is steady, and debt service ratio is low. I think the offering is a good idea and don't see any reason why investors wouldn't buy," said Mr Al Rillo, economist at DBS securities in Manila.

Soma analysts, however, expect the government having to price the bond relatively high to attract investor demand in the aftermath of rising domestic interest rates. "The timing's not conducive." If the issue had been launched three weeks ago, said one analyst, the coupon rate would have been at least 100 basis points below the projected 15 per cent.

Justin Marozzi, Manila

Gazprom raises finance

Gazprom, the Russian natural gas monopoly, has borrowed $2.5bn from a consortium of 57 international banks to help finance the world's largest gas transport project. Dresdner Bank of Germany, which led the deal, said yesterday that the loan had been syndicated after a further 38 banks joined the initial consortium of 19 banks. This follows keen interest from banks which, undaunted by the size of the transaction, have been keen to forge a relationship with Gazprom, that might lead to further business.

The final consortium was made up of banks from 17 countries. The deal is purely a commercial financing with no guarantees from export credit agencies or multilaterals.

Dresdner Bank and Deutsche Bank are arranging a further $1bn credit for Gazprom – guaranteed by Hermes, the German export credit agency – to finance the purchase of gas pipelines in Germany.

Graham Bowley, Frankfurt

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	92.5584	−0.320	7.87	8.03	7.81
Austria		5.750	04/07	98.7600	−0.360	5.92	5.97	5.65
Belgium		6.250	03/07	101.8900	−0.360	6.02	6.06	5.75
Canada *		7.000	12/06	102.2000	+0.100	6.68	6.89	6.41
Denmark		8.000	03/06	109.2000	−0.250	6.60	6.65	6.33
France	BTAN	4.750	03/02	102.3866	−0.320	4.90	4.83	4.55
	OAT	5.500	04/07	97.8200	−0.450	5.82	5.79	5.48
Germany Bund		6.000	01/07	100.7800	−0.370	5.89	5.94	5.67
Ireland		8.000	08/06	108.2200	−0.460	6.77	6.84	6.60
Italy		8.750	02/07	94.7100	−0.210	7.52†	7.51	7.33
Japan	No 143	6.300	09/01	120.3040	−0.080	1.42	1.48	1.31
	No 162	3.000	09/05	106.0611	+0.040	2.15	2.18	2.34
Netherlands		5.750	02/07	99.8000	−0.360	5.77	5.85	5.46
Portugal		9.500	02/06	117.3700	−0.240	6.81	6.78	6.84
Spain		7.350	03/07	102.6900	−0.410	6.95	6.86	6.93
Sweden		8.000	08/07	105.2605	−0.660	7.25	7.18	6.90
UK Gilts		7.000	06/02	98-27	−7/32	7.27	7.31	6.79
		7.250	12/07	97-21	−9/32	7.57	7.64	7.25
		8.000	10/08	110-04	−10/32	7.66	7.74	7.34
US Treasury *		6.250	02/07	95-26	+1/32	6.84	6.97	6.54
		6.625	02/27	94-18	−	7.07	7.17	6.81
ECU (French Govt)		7.000	04/06	105.0400	−0.720	6.25	6.17	5.97

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.40
Prime rate	8½	Two month	-	Three year	6.56
Broker loan rate	7¾	Three month	5.29	Five year	6.73
Fed.funds	5⅞	Six month	5.62	10-year	6.84
Fed.funds at intervention	-	One year	5.92	30-year	7.07

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	128.38	128.28	−0.44	128.56	128.24	113,052	165,928
Sep	126.80	126.72	−0.40	126.94	126.74	798	5,777
Dec	96.40	96.28	−0.44	96.40	96.40	2	−

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS May	CALLS Jun	CALLS Sep	PUTS May	PUTS Jun	PUTS Sep
127	1.33	1.74	1.41	0.05	0.46	1.68
128	0.51	1.05	0.98	0.23	0.77	2.24
129	0.08	0.55	0.63	0.80	1.27	2.88
130	0.01	0.24	0.37	1.73	1.95	-
131	0.01	0.09	0.22	2.73	2.80	-

Est. vol. total, Calls 16,592 Puts 20,645. Previous day's open int., Calls 131,345 Puts 165,867.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.76	100.46	-0.36	100.79	100.40	88569	260153
Sep	99.64	99.44	-0.37	99.71	99.52	307	7527

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
10000	0.51	0.94	0.65	1.00	0.05	0.48	1.21	1.56
10050	0.15	0.64	0.46	0.79	0.19	0.68	1.52	1.86
10100	0.03	0.41	0.32	0.61	0.57	0.95	1.88	2.17

Est. vol. total, Calls 14548 Puts 13543. Previous day's open int., Calls 250601 Puts 267228

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	127.50	127.39	-0.37	128.15	127.05	49899	101095
Sep	127.85	127.44	-0.40	127.85	127.85	200	4717

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
12700	1.45	2.64	1.06	2.20
12750	1.18	2.34	1.27	2.40
12800	0.91	2.07	1.52	2.63

Est. vol. total, Calls 2061 Puts 12076. Previous day's open int., Calls 109382 Puts 120444

Spain

■ NOTIONAL SPANISH BONO FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.80	112.74	−0.42	113.26	112.63	75,850	65,294
Sep	−	111.88	−0.42	−	−	−	3

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109-18	109-14	-0-10	109-25	109-12	23422	170688
Sep	109-14	109-09	-0-10	109-14	109-12	4	2714

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
109	0-33	1-18	1-34	2-07	0-05	0-52	1-16	1-53
110	0-05	0-49	1-02	1-41	0-41	1-21	1-48	2-23
111	0-01	0-26	0-42	1-15	1-37	2-00	2-24	2-61

Est. vol. total, Calls 2177 Puts 2216. Previous day's open int., Calls 72984 Puts 36196

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.22	93.60	−0.62	94.22	93.38	2,071	6,302
Sep	−	93.22	−0.62	−	−	−	−

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	108−01	108−04	+0−04	108−06	107−31	193,300	466,960
Sep	107−20	106−25	−0−25	107−23	107−18	729	38,478
Dec	−	107−00	−	−	−	3	6,044

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	126.91	-	-	126.94	126.85	1001	n/a
Sep	125.67	-	-	125.67	125.67	50	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Apr 21	Day's change %	Fri Apr 18	Accrued interest	xd adj. ytd		Low coupon yield Apr 21	Apr 18	Yr. ago	Medium coupon yield Apr 21	Apr 18	Yr. ago	High coupon yield Apr 21	Apr 18	Yr. ago
1 Up to 5 years (19)	120.12	−0.10	120.23	2.53	3.49	5 yrs	7.31	7.25	7.64	7.36	7.30	7.66	7.41	7.37	7.77
2 5-15 years (21)	149.27	−0.24	149.63	2.98	3.12	15 yrs	7.70	7.66	8.26	7.71	7.67	8.28	7.58	7.57	8.37
3 Over 15 years (6)	169.79	−0.36	170.40	5.07	3.18	20 yrs	7.77	7.73	8.32	7.74	7.70	8.32	7.58	7.57	6.40
4 Irredeemables (5)	195.83	−0.26	196.33	4.30	2.37	Irred.†	7.80	7.77	8.38						
5 All stocks (51)	143.79	−0.22	144.10	3.20	3.34										

Index-linked	Mon Apr 21	Day's change %	Fri Apr 18	Accrued interest	xd adj. ytd		Inflation 5% Apr 21	Apr 18	Yr. ago	Inflation 10% Apr 21	Apr 18	Yr. ago
6 Up to 5 years (2)	203.26	−0.01	203.28	0.32	3.03	Up to 5 yrs	3.33	3.32	2.99	2.56	2.54	1.73
7 Over 5 years (10)	194.93	−0.18	195.27	1.26	2.32	Over 5 yrs	3.64	3.62	3.73	3.42	3.41	3.54
8 All stocks (12)	194.75	−0.18	195.06	1.18	2.37							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Apr 21	Apr 18	Apr 17	Apr 16	Apr 15	Yr ago	High*	Low*
Govt. Secs. (UK)	94.12	94.15	94.40	94.03	94.01	92.55	96.62	93.31
Fixed Interest	117.02	116.98	116.98	116.87	116.59	112.04	120.18	115.32

Gilt Edged Activity Indices

	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
[illegible]						

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 21

	Issued	Bid	Offer	Chg.	Yield
[illegible]					

LAW

Greek pension rules unlawful

EUROPEAN COURT

A pension scheme operated by the Greek state electricity company was last week found to be unlawful by the European Court of Justice. The Luxembourg Court said the scheme's rules discriminated against widowers of former female employees of the company.

The Court's ruling arose in the context of a dispnte betwaen Mr Efthimios Evrenopoulos and the Greek state electricity company which had employed his wife. When she died, Mr Evrenopoulos asked the company for a widower's pension. Having not received any response, Mr Evrenopoulos brought legal proceedings against the implied rejection of his request.

The company's response was that he was not entitled to a pension because he did not fulfil the relevant criteria. These were that pensions were only available to those without resources and who were unable to work. These conditions did not apply to widows of former male employees.

Mr Evrenopoulos won his case at first instance. The company appealed and the appeal court decided to refer various matters to the European Court. It wanted to know whether the provisions of the Treaty of Rome on equal treatment applied to the case and if so, whether the applicant could rely on those provisions.

As to whether the submissions fell within the treaty's equal treatment provisions, the Court recalled first of all that the only criterion by which such a question could be judged was whether the pension was paid by reason of the former worker's employment relationship with his or her employer.

In the present case, it was clear that the rights to a pension arose because of Mr Evrenopoulos's deceased wife's previous employment. Thus the treaty equal treatment rules did apply.

Considerations of social policy, of state organisation, of ethics or even budgetary preoccupations which influenced or could have influenced the establishment of a particular pension scheme, could not cause such a scheme to fall outside tha applicable treaty rules where the relevant employment criterion was present, it said.

The Court also recalled its earlier jurisprudence in which it had ruled that survivors' pension schemes were benefits based on the survivors' spouses' affiliation to the scheme.

As to whether the pension rules ware discriminatory, the Court simply declared that the treaty rules prohibited all discrimination in matters of pay between men and woman. As the more onerous conditions of the pension fund only applied to widowers and not to widows it was clear that the rules were discriminatory.

The final question dealt with the retrospective effect of the court's jurisprudence in this area. The court had first held that occupational pension schemes were covered by the treaty provisions on equal treatment in tha 1990 Barber case.

Because of the financial implications of the Barber judgment, it was decided that its effect could not be relied on by others prior to the date of the judgment, except by those who had already brought legal proceedings before that date.

Although Mr Evrenopoulos brought his action against the implied rejection of his request before the Barber judgment, his case against tha explicit rejection of his request was brought after that date. The Court held that Mr Evrenopoulos had started legal proceedings with his action against tha implicit rejection of his request and therefore he could rely on the treaty provisions on equal treatment.

C-147/95: Dimossia Epicheirissi Ilektrismou v Efthimios Evrenopoulos, ECJ 6CH, April 17 1997.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Local experts for Flemings

Flemings, the UK investment bank, has picked a couple of local experts to head its new investment banking operation in Moscow.

Ralf-Dieter Montag-Girmes, who will be in charge of the team, was first deputy director-general of the Russian Privatisation Centre, the western-funded institute which advised the government on privatisations.

He has been joined by Michael Butrin, who was head of privatisation at the centre, which was run by Maxim Boyko, a close associate of Anatoly Chubais, the first deputy prime minister. The pair will be based in Moscow and will be responsible for winning capital markets and mergers and acquisitions business for Flemings.

Montag-Girmes advised on the Russian privatisation programme from 1994 onwards, working recently on the anction of an 8.5 per cent stake in UES, the Russian electricity holding company. Butrin also worked on UES, as well as on the controversial Svyazinvest telecoms privatisation last year.

Flemings has built a leading position in broking, fund management and corporate finance in the emerging markets of Asia, has been trying to do the same in eastern Europe and the former Soviet Union.

The bank's main involvement in Russia so far has been in fund management. Tha group runs three Russian funds with more than \$350m in assets.

"Flemings has a deliberate strategy of winning the number one investment banking position in all the main countrias of emerging market Europe. We aim to replicate in Europe our success in Asia," said Ian Hannam, head of capital markets at the bank.

George Graham, London

Hoogovens names next chairman

Soccession is an orderly affair at Hoogovens, the Dutch metals producer. The company has announced a year in advance that Fokko van Duyne will succeed Maarten van Veen as chairman next April. The main criterion entitling him to the role is his position as longest-sarving board member, with 10 years under his belt this November.

Van Veen is retiring after restoring the group to profitability over the past five years. He was helped in this by Van Duyne, who become finance director in 1992 after heading the aluminium division. There he spearheaded the takeover of the European activities of Kaiser Aluminum.

Aged 55, Van Duyne is a Rotterdam-trained economist who joined Hoogovens in 1970. Unusually for a Hoogovens chief, he has never held direct responsibility for the group's core steelmaking business. That is run by Aad van der Velden, who with only five years on the board, misses out on tha top spot.

Together they will have to reinforce investor conviction that the company's unusual two-metal strategy remains justified amid further concentration in the European steel industry.

Gordon Cramb, Amsterdam

Boening to head postal savings bank

Mr Dieter Boening, 53, has been appointed the new head of Deutsche Postbank, the German postal savings bank. He was previously the chairman of DSL Bank, the Bonn-based bank which was partially privatised in 1989.

Mr Dieter's appointment, which takes effect from July 1, comes as Deutsche Postbank gears up for the long-awaited sale of its shares to private investors, expected sometime this year. His predecessor, Mr Günter Schneider, spent much of last year fighting off a unwanted bid mounted by Deutsche Post, the German state-owned mail service, in conjunction with Deutsche Bank and Swiss Re, the reinsurance group. Mr Schneider is retiring in June.

Ralph Atkins, Bonn

European head of NationsBank

NationsBank, the fourth largest US bank since its merger earlier this year with Boatmen's Bancshares, has named Leonard Seelig to head its European operations.

Seelig, who has been in charge of loan syndications at NationsBank's London office since 1994, has taken over from J. Richards Roddey, a NationsBank veteran who bas retired after 32 years with the bank.

The position also means Seelig takes over as manager of NationsBank's Londoo branch. He will retain responsibility for corporate finance activities.

Ivan Marcotte, former head of risk management for NationsBank in Europe, will take charge of its capital markets activities in the region as chief executive of NationsBank Europe.

George Graham, London

Dresdner emerging markets chief

Dresdner Bank, Germany's second largest banking group, has hired Baudouin Croonenberghs to lead the drive by Dresdner Kleinwort Benson, its investment banking offshoot, into emerging markets trading and treasury activities.

Croonenberghs, who was head of global markets in Australia for JP Morgan, the US investment bank, will move to New York to take on the new position of global head of emerging markets. He will also become western hemisphere head for DKB'a global markets division, which is headquartered in Frankfurt.

George Graham, London

ON THE MOVE

■ Helen McClure, managing director of Nuprint Fabric Converters, has been appointed a non-executive director of ULSTER TELEVISION. Nuprint Fabric Converters is a manufacturing company based in Londonderry and produces specialist printed fabric labels for the textile industry.

■ Curt Ludwigson, president Diners Club Europe, takes on the new position of vice-chairman, DINERS CLUB INTERNATIONAL. Don Osvog, formerly president Diners Club Canada, takes over Ludwigson's responsibility as managing director Diners Club UK. A replacement for Osvog in Canada will be announced in the near future.

■ HSBC ASSET MANAGEMENT has appointed Stella Yiu as its chief investment officer, global emerging markets. Yiu, currently a director and senior fund manager with the company in Hong Kong, will be relocating to New York to take up this position.

■ NIKKEI BUSINESS PUBLICATIONS of Japan has appointed Anthony Brondbjerg as managing director and chief executive of its European company.

■ Donald Voelte has been appointed senior vice-president, corporate planning at ARCO.

■ LEAR CORPORATION, the automotive suppliers, has appointed Robert Rossiter as president and chief operating officer of international operations. He will oversee Lear's global operations from its international headquarters in Frankfurt.

■ Hohgi Hideo, 51, has resigned as head of CHRYSLER JAPAN SALES.

■ Jose Luis Yulo Jr has been elected president of the PHILIPPINE STOCK EXCHANGE, the bourse's board of governors have announced.

■ BANK OF EAST ASIA have appointed David Li Kwok-po as chairman of the bank, succeeding Li Fook-wo who will step down as a director. David Li joined the bank in 1969, and was appointed chief executive in 1986 and depnty chairman in 1995.

■ Alexander von Ungern-Sternberg, 46, has been appointed as a member of the managing board of RABOBANK INTERNATIONAL the corporate investment and private banking arm of the Rabobank Group. He will be responsible for global investment banking covering equities, fixed income and foreign exchange.

■ Walter Van Dorn Jr, special counsel at the US SECURITIES AND EXCHANGE COMMISSION in its office of international corporate finance, has joined Rogers & Wells, the international law firm.

■ Jeffrey Davis has joined SCHOONER ASSET MANAGEMENT of Boston as a managing director and principal. He had been a senior portfolio manager at State Street Global Advisors where ha was responsible for the development of the first IFCI emerging markets equity index fund series and associated index strategies.

■ Alexei Ugarov has been appointed to the board of MIDDLESEX HOLDINGS, an international business whose main interests are in steel, aluminium, nickel and soft commodities. He is general director of Oskol Electrometallurgical Kombinat, one of Russia's most modern and automated steel enterprise, in which Middlesex has a shareholding of 7.9 per cent.

■ Merrill Rose, a senior executive with Porter Novelli, the US consultancy, has been appointed director, Europe, for COUNTRYWIDE PORTER NOVELLI in Brussels.

■ Ruth Harkin has been appointed senior vice-president –international affairs – and government relations at UNITED TECHNOLOGIES CORPORATION.In June she succeeds William Paul, who will retire from his position as executive vice-president.

■ Anne Martin has joined RUSSELL REYNOLDS ASSOCIATES, the executive recruiting group, as an associate. She will focus on healthcare assignments and is based in the company's New York office.

■ Jim Siracusa has been appointed managing director of DAIWA EUROPE. He will be responsible for global primary bonds, covering fixed income origination.

■ Colman Candy, 37, becomes managing director of FINEX Europe. He will replace Hunt Taylor, who has been managing director since Finex expanded its New York operations to Dublin in 1994, to provide open outcry access to the European market.

■ The Government of the BRITISH VIRGIN ISLANDS has appointed Kevin Mann, 40, as registrar of mutual funds. He will take up the position in May. Mann will oversee the implementation of the Mutual Funds Act which was introduced in June 1996 and will continne to establish the BVI as a leading location for offshore mutual funds. The focal point of his work is to expand the 1,000 plus mutual funds, worth over US \$55 billion, currently incorporated in the BVI.

■ BARCLAYS GLOBAL INVESTORS has appointed Marko van Bergen as client relationship manager for the Netherlands and Belgium. He joins from Detam Pension Services asset management where ha was responsible for equity investments worldwide. BGI are one of the largest investment managers in the Netherlands managing in excess of 25 billion Guilders on behalf of 19 pension funds.

■ THOMSON FINANCIAL PUBLISHING INC, USA, has appointed Nigel Farren to oversee its expansion plans in Europe. As managing director based in London, he will be responsible for accelerating sales in the region of a wide range of products, including the Thomson Bank Directory. He will also be responsible for expanding data collection and customer service activity and identifying product development and acquisition opportunities. Prior to joining Thomson, Farren was with the bank services division of R L Polk & Co, USA.

■ Jan Oosterveld becomes senior director of corporate strategy at PHILIPS. Oosterveld is currently a managing director in the components division.

■ SOCIETE GENERALE has appointed Jim Grantham as head of global convertibles research products. Grantham joins SocGen from BZW.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

COMMODITIES AND AGRICULTURE

S Africa miners unveil partners

By Mark Ashurst in Johannesburg

South Africa's two largest mining groups have announced new partners in their race to acquire new interests in Latin America. Both Anglo American and Gencor view their Latin American interests as the key to more rapid international expansion.

Anglo American yesterday confirmed its bid for a stake in CVRD, the state-owned Brazilian state-owned natural resources group, would be supported by a Japanese consortium led by the Nippon Steel Corporation.

The Japanese consortium will acquire a 10 per cent interest in the Valecom Association, a consortium of Anglo American, its offshore associate Minorco, and the Votorantim group of Brazil formed earlier this month. The Anglo/Minorco and Votorantim groups will participate equally in the Valecom Association with a joint holding of more than 50 per cent.

Meanwhile, Gencor, South Africa's second-largest mining house, said it would bid jointly with Sural, a diversified industrial group in Venezuela, for the aluminium assets of the state-owned Corporacion Venezolana de Guayana. CVG comprises four aluminium companies and two smelters with a combined annual production capacity of 620,000 tonnes. These are due to be sold by the end of this year.

Analysts had previously expected Anglo and Gencor to form rival consortia in the bidding for CVRD, Latin America's largest privatisation which is due to take place on April 29. But after negotiations with prospective partners in Brazil, Gencor said last month it would not join the process.

Penoles wins Peruvian mining bid

By Alistair Scrutton in Lima

Peru's flagging privatisation programme got a boost on Friday with a winning $185m bid from Mexico's Industrias Penoles Mining Company for the state owned La Oroya metallurgical complex, the country's biggest.

"It's a sign that events such as the hostage crisis have had little impact on investor confidence in Peru", said Mr Alberto Pandolfi, Peruvian prime minister, after the auction.

The winning price from Industrias Penoles dwarfs the government's $70m price tag and the offers from two other international bidders. Doe Run, owned by the Renco group of the US, offered $121m and Switzerland's Glencore put in an $85m bid.

Penoles now faces the difficult and politically sensitive job of cleaning up La Oroya, considered one of the most environmentally damaged mining sites in Peru. There were no bidders for an earlier 1994 auction of Centromin, the state company which runs La Oroya, largely due to worries from foreign investors about the cost of the clean-up at the complex.

"We recognise that there are environmental problems", said Mr Abdon Hernandez, legal director for Penoles. "But we see this as a challenge the company knows how to face."

Centromin said the new owners will still have to invest at least $132m over the next five years on a clean-up to bring the complex np to environmental standards.

Mining analysts say that Penoles, with assets of $845m and one of the biggest mining companies in Latin America, will have the cash to invest in the complex.

Located 120 miles east of Lima in a bleak valley 4,000 metres above sea level the complex is comprised of smelters and refineries to process copper, lead, zinc and silver.

Around two-thirds of Peru's population inhabiting the central highlands region depend on the complex for a living. Although La Oroya dates from 1922, Mr Juan Carlos Barcellos, Centromin president, has called the complex "an old car which is very finely tuned".

Following the rules laid down by Centromin, Penoles will end up paying $194m for a 51 per cent controlling interest in the complex. The Mexican company could buy out the government completely by offering a further $192.6m, Centromin said.

La Oroya last year produced 65,247 tons of copper, 94,723 tons of lead and 69,567 tons of zinc.

OPEC appeal lifts crude

MARKETS REPORT

By Gary Mead

A call by the head of the Organisation of Petroleum Exporting Countries for members to curb oil production, lifted crude oil prices in the UK and US yesterday.

The June price for Brent on the International Petroleum Exchange in London had risen 46 cents a barrel by late afternoon, to $18.38, having reached a peak during the day of $18.48, after the statement from the oil cartel. Continuing abnormally low temperatures in the US were also cited by traders as helping to firm oil prices. On the New York Mercantile Exchange the May price for crude was up 41 cents to $20.32 a barrel in early trading.

Cocoa prices on the London International Financial Futures Exchange floated down, with the July future slipping £13 on the previous closing price, to £1,021. Projections for the year's fall crop from the Ivory Coast are now hovering around 1.15m tonnes, implying little if any physical tightness to the overall market for this year.

There was thin trading in base metals on the London Metal Exchange, with copper finishing the day almost unchanged, at $2,336.50 a tonne, up merely 50 cents, having reached a high of $2,293 earlier. Dealing in copper was still suffering from uncertainty over the strike at Chile's Escondida mine, where some 17 per cent of the workforce has stopped work since last Friday.

However, there was renewed speculation that bureaucratic obstacles might delay Russian supplies to Japan of the precious metal palladium. It gained $4 to $156.25.

Rain dampens hopes at Harare tobacco auction

Lower yields, higher costs and the introduction of a 10% tax are expected to squeeze profit margins

Unusually wet conditions during the 1996-97 growing season will mean a smaller-than-targeted flue-cured (Virginia) tobacco crop at this year's auctions opening in Harare today.

Growers had hoped to produce about 235m kg this season, 16 per cent more than last year's 202m kg. But the heavier rains have cut production to about 205m-210m kg, and while the top third of the crop is described as "magnificent quality", the average quality may not be as good as last year.

After last year's 39 per cent rise in prices on the Harare auction floors when flue-cured tobacco sold for an average of 295 US cents a kg, the industry had braced itself for unchanged, if not lower, prices in 1997. Predicting prices in Harare is notoriously difficult, but with prices lower than last year in both Brazil's much larger market and Malawi's small market, growers are hoping only that they can match last year's prices.

Brazilian prices are averaging about 180 cents a kg, down 7 per cent on the 1996 figure. This has led some industry analysts to predict an average price in Harare this year of about 270 to 280 cents a kg - a fall of about 7.5 per cent.

Profitability will be squeezed this year by the combination of lower yields per hectare - down about 10 per cent - escalating costs (producer price inflation last year averaged some 17 per cent) and the government's 10 per cent tax on tobacco sales. However, the depreciation of the Zimbabwean dollar will help cushion the impact on margins. The local currency has weakened 14 per cent against the US dollar over the past year.

Assuming a crop of 210m kg and an average price of at least 280 cents, flue-cured tobacco will earn some $590m in 1997, little different from last year's $592m. In Zimbabwean dollar terms, output value is likely to be at least 15 per cent higher at nearly Z$7bn (US$619m). Tobacco is the country's top export, earning more than $600m in 1996.

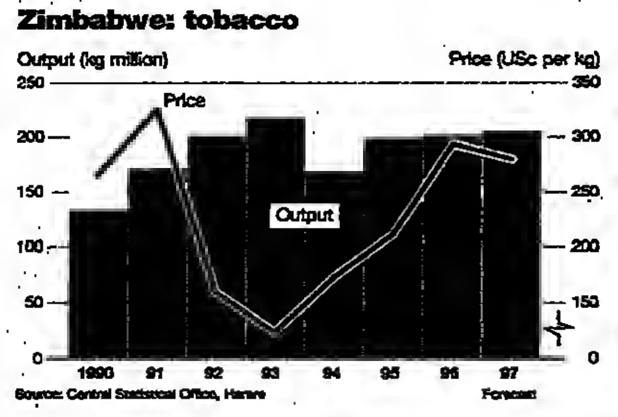
Added excitement at this year's sales will be the opening of what is billed as the world's largest tobacco auction floor, owned by black empowerment activist Mr Roger Boka.

The Boka floor will be the third operating in Harare and its managers say they hope their $20m investment will have secured between a third and a half of the market by the end of the sales in September.

There is some nervousness among growers that if Mr Boka fails to get his market share he will seek to use his political clout - he and his allies control the state Tobacco Marketing Board - to impose some form of quota system and divert leaf from the leading floor owned by the stock exchange-listed company, TSL, which in turn is controlled by the tobacco growers.

Tony Hawkins

Zimbabwe: tobacco



Predicting prices on the Harare floors is notoriously difficult

Little change seen in the price of gold for the rest of this year

By Gary Mead

Gold is likely to stay at or around its current price for the rest of this year, says Mr David Walker, head of mining research, Australia, at ABN-AMRO Hoare Govett.

Mr Walker told the ABN-AMRO world gold conference in London yesterday that a combination of actual and rumoured central bank selling, plus continued forward selling by producers, would pin gold to around its current price for the rest of the year; the London "fix" for gold edged up 10 cents yesterday, to $342.25 an ounce. However, he also forecast a moderate rally, to $390, by 1999; gold has failed to climb above $370 since the start of the year.

The focus of the conference was the gold mining industry in Australia, which has increased its annual production to 270 tonnes – 1994 output was 256.2 tonnes – and has reserves available to support that level for a further eight years.

Mr Walker said that "sentiment is currently negative, regarding gold funds", a factor he linked to the recent furore surrounding the Busang deposit in Indonesia.

However he dismissed the notion that a similar event could ever occur in Australia, citing the country's tightly-regulated market and the independence of research as means of guarding against inflated expectations and consequent disappointment. "It is unheard-of in Australia that a large project would go all this way... and an independent person not be asked to look at what's happening", he said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1516.5-17.5	1552-53
Previous	1525.5-26.5	1559-60
High/low		1556/1548
AM Official	1517-17.5	1551-51.5
Kerb close		1554-55
Open int.	273,353	
Total daily turnover	62,913	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1417-22	1447-50
Previous	1417-20	1447-49
High/low		1450
AM Official	1418-25	1448-50
Kerb close		1447-50
Open int.	5,624	
Total daily turnover	2,243	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	619-20	626-7
Previous	626.5-27.5	634-34.5
High/low	619	630/624
AM Official	619-20	625-6
Kerb close		626-8
Open int.	36,229	
Total daily turnover	9,158	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7235-45	7350-55
Previous	7235-45	7350-55
High/low		7390/7280
AM Official	7195-200	7305-10
Kerb close		7380-85
Open int.	49,926	
Total daily turnover	12,487	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5660-70	5705-10
Previous	5685-95	5730-40
High/low		5720/5690
AM Official	5655-60	5700-05
Kerb close		5710-15
Open int.	16,205	
Total daily turnover	3,278	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1218.5-16.5	1242-43
Previous	1227.5-28.5	1249-49.5
High/low	1220/1219.5	1251/1242
AM Official	1219.5-20	1243-43.5
Kerb close		1247-48
Open int.	89,315	
Total daily turnover	24,303	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2336-39	2267-89
Previous	2338-40	2292-93
High/low	2324/2323	2293/2276
AM Official	2322-23	2279-80
Kerb close		2289-90
Open int.	135,093	
Total daily turnover	36,910	

■ LME AM Official £/$ rate: 1.6338
LME Closing £/$ rate: 1.6350

Spot: 1.6352 3 mths: 1.6332 6 mths: 1.6308 9 mths: 1.6287

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	107.40	+0.10	107.40	106.25	201	1,648
May	107.20	+0.40	107.40	105.20	4,694	19,098
Jun	106.60	+0.40	106.50	106.40	100	1,711
Jul	106.05	+0.45	105.30	104.80	2,274	10,417
Aug	105.15	+0.55	104.50	104.40	1	635
Sep	104.05	+0.35	104.30	103.30	139	4,255
Total					7,427	49,832

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	342.30-342.60		
Opening	342.40-342.70		
Morning fix	342.15	209.41	496.46
Afternoon fix	342.25	209.37	496.43
Day's High	342.70-343.00		
Day's Low	341.80-342.10		
Previous close	341.45-341.95		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.47 6 months 4.50
2 months ....4.47 12 months 4.50
3 months 4.49

Silver Fix	p/troy oz.	US cts equiv.
Spot	290.80	475.00
3 months	294.85	481.00
6 months	299.25	487.45
1 year	308.10	500.50

Gold Coins	$ price	£ equiv.
Krugerrand	342-344	208-210
Maple Leaf	-	-
New Sovereign	80-83	49-51

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	343.3	+1.8	343.3	342.4	70	358
May	343.7	+1.6	-	-	-	-
Jun	344.9	+1.5	345.1	342.9	13,284	76,412
Aug	347.5	+1.6	347.7	346.7	403	16,128
Oct	350.1	+1.6	350.2	349.6	15	6,158
Dec	352.9	+1.6	353.1	352.0	168	21,630
Total					14,092	163,874

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	378.5	+3.3	-	-	4	6
Jul	380.5	+3.3	381.5	378.5	2,251	12,635
Oct	382.2	+3.5	383.0	381.0	23	2,852
Jan	384.4	+3.6	-	-	2	1,174
Total					2,274	16,673

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	155.75	+1.15	156.75	155.50	754	8,898
Sep	155.75	+1.15	157.00	157.00	119	2,702
Dec	156.50	+1.15	-	-	-	326
Total					784	9,958

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	473.0	+2.3	469.0	469.0	2	2
May	473.5	+2.2	475.5	472.0	10,524	47,314
Jul	478.3	+2.0	480.5	477.0	3,206	31,933
Sep	483.1	+2.0	485.0	482.5	118	3,791
Dec	490.5	+2.0	492.5	489.5	120	5,854
Jan	493.1	+2.0	498.5	498.5	-	17
Total					14,634	101,398

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	20.39	+0.40	20.49	19.72	33,333	32,230
Jun	20.10	+0.43	20.22	19.51	43,337	107k
Jul	20.04	+0.38	20.15	19.70	13,133	47,952
Aug	20.04	+0.39	20.10	19.73	5,503	28,821
Sep	19.95	+0.30	20.05	19.73	1,108	18,008
Oct	19.97	+0.33	20.00	19.84	395	15,984
Total					102,759	421,070

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	18.39	+0.47	18.48	18.03	15,547	78,459
Jul	18.50	+0.43	18.59	18.18	3,100	37,857
Aug	18.58	+0.36	18.63	18.33	1,814	13,667
Sep	18.63	+0.33	18.63	18.39	243	8,200
Oct	18.65	+0.30	18.86	18.44	77	5,884
Nov	18.53	+0.17	18.53	18.40	18	5,207
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	55.40	+0.72	55.55	54.65	13,972	27,010
Jun	54.00	+0.65	54.20	53.40	9,501	31,869
Jul	54.05	+0.65	54.20	53.50	1,971	22,991
Aug	54.60	+0.70	54.75	54.00	1,371	12,860
Sep	55.50	+0.80	55.50	54.90	96	7,832
Oct	56.10	+0.65	56.25	55.50	658	6,973
Total					28,472	146,199

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	165.25	+2.00	165.75	163.75	5,159	22,600
Jun	166.00	+1.75	166.50	164.50	2,468	10,558
Jul	167.75	+1.75	168.00	167.00	535	7,135
Aug	169.50	+1.75	169.75	168.00	267	4,735
Sep	171.50	+1.75	171.25	169.75	192	2,452
Oct	173.50	+1.75	173.00	172.75	126	2,917
Total					12,997	82,861

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
May	2.061	-0.020	2.075	2.035	19,325	22,544
Jun	2.120	-0.022	2.130	2.100	14,159	33,826
Jul	2.133	-0.022	2.145	2.125	4,705	17,857
Aug	2.140	-0.022	2.150	2.130	2,981	12,193
Sep	2.140	-0.024	2.150	2.130	1,837	12,142
Oct	2.170	-0.024	2.185	2.170	1,476	14,588
Total					48,738	194,104

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	62.85	+1.36	63.15	61.25	11,835	31,521
Jun	62.05	+1.11	62.50	61.10	6,888	38,492
Jul	60.85	+0.91	61.20	60.40	1,988	12,852
Aug	59.70	+0.88	60.00	59.30	383	5,883
Sep	58.50	+0.96	58.50	58.00	387	3,236
Oct	56.55	+0.88	56.65	56.40	295	1,661
Total					22,101	101,273

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	98.40	-0.10	98.50	98.20	86	1,371
Jul	101.60	+0.10	102.00	101.25	172	1,681
Sep	97.25	-	97.50	97.50	5	46
Nov	99.25	-	100.00	99.00	130	3,440
Jan	101.25	-	101.10	101.00	27	963
Mar	103.25	-	103.50	103.20	70	508
Total					595	8,118

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	439.50	+2.5	449.00	433.50	3,963	7,814
Jul	447.25	+2.75	456.00	440.00	22,357	54,009
Sep	450.75	+2.75	463.00	445.00	3,710	12,312
Dec	458.50	+0.75	473.50	454.00	3,034	11,755
Mar	460.00	+1	470.00	455.50	171	548
May	437.00	+13	439.50	437.00	6	8
Total					33,295	86,838

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	299.75	-0.5	302.00	298.00	23,384	78,518
Jul	300.50	+0.25	302.75	298.50	28,462	127,124
Sep	288.50	+1	290.25	287.00	1,245	22,987
Dec	285.60	+1.5	286.75	283.00	11,602	100,796
Mar	289.75	+1.75	291.25	288.00	439	10,923
May	292.25	+0.75	293.50	291.50	40	608
Total					65,325	346,485

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	91.50	-0.25	91.00	91.00	5	110
Sep	94.00	-	-	-	-	28
Nov	96.00	-	96.00	96.00	3	795
Jan	98.00	-	98.00	98.00	1	63
Mar	100.00	-	-	-	-	-
May	102.00	-	-	-	-	-
Total					9	898

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	837.00	-7	851.00	830.00	12,957	40,828
Jul	838.50	-7.25	854.00	832.00	39,797	80,208
Aug	821.25	-5	834.50	818.00	1,796	12,896
Sep	748.75	-0.25	756.50	743.00	774	7,027
Nov	689.50	+3.25	696.50	686.50	10,558	40,535
Jan	695.25	+3.75	700.50	692.50	163	2,408
Total					66,054	185,282

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	24.61	+0.2	24.70	24.32	5,198	24,158
Jul	25.09	+0.27	25.20	24.73	13,168	39,657
Aug	25.25	+0.32	25.30	24.87	1,387	8,702
Sep	25.30	+0.28	25.30	24.97	512	5,858
Oct	25.35	+0.3	25.35	25.00	597	5,691
Dec	25.50	+0.4	25.50	25.10	2,824	16,882
Total					23,798	182,939

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	270.8	-5	277.0	270.8	4,409	31,392
Jul	267.8	-6.7	275.0	267.3	10,498	38,260
Aug	259.5	-3.3	265.5	259.5	1,932	10,568
Sep	244.0	-2.3	248.5	244.0	1,119	7,180
Oct	224.0	-1.9	226.0	223.0	1,237	7,259
Dec	218.0	+0.7	219.7	216.5	3,164	14,557
Total					22,859	111,391

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	30.0	-2.0	30.0	30.0	8	310
Jun	53.0	-2.0	-	-	-	-
Nov	71.0	-	-	-	-	10
Mar	119.0	-	-	-	-	-
Apr	138.0	-5.0	141.0	138.0	112	1,006
Total					118	1,326

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	1314	-16	1315	1315	3	716
May	1315	-30	1320	1315	70	814
Jun	1220	-25	1230	1220	15	55
Jul	1165	-5	1165	1155	41	953
Oct	1290	-5	-	-	-	399
Jan	1345	-	-	-	-	52
Total					129	2,989

	Close	Prev
BFI	1332	1345

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1003	-18	1014	989	808	13,533
Jul	1021	-13	1030	1015	2,900	20,437
Sep	1035	-10	1040	1028	753	13,306
Dec	1011	-8	1016	1006	805	27,956
Mar	1024	-6	1029	1019	946	28,943
May	1035	-5	1032	1031	75	16,321
Total					6,388	134,223

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1412	-25	1425	1410	539	901
Jul	1440	-23	1446	1427	2,412	33,782
Sep	1466	-17	1466	1456	281	13,109
Dec	1485	-19	1489	1476	76	15,777
Mar	1508	-10	1508	1504	130	19,687
May	1529	-19	-	-	49	8,556
Total					3,538	93,580

■ COCOA (ICCO) (SDR's/tonne)

Apr 18	Price	Prev. day
Daily	1154.91	1161.05

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1643	+3	1675	1641	1,305	15,117
Jul	1689	+7	1705	1665	3,087	15,538
Sep	1676	+6	1710	1674	874	9,859
Nov	1670	+5	1700	1670	118	3,635
Jan	1645	+10	1668	1660	90	1,881
Mar	1625	+5	1640	1640	37	128
Total					5,689	46,468

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	214.80	-1.65	224.00	210.00	5,219	5,044
Jul	194.05	-0.10	199.00	187.50	5,654	13,475
Sep	175.50	-1.25	179.00	172.00	989	6,753
Dec	156.00	-0.50	159.50	154.00	341	4,213
Mar	143.00	-1.75	147.75	143.00	126	1,492
May	138.50	-	138.50	138.30	29	258
Total					12,363	31,375

■ COFFEE (ICO) (US cents/pound)

Apr 18		Prev. day
Comp. daily		145.18
15 day average		143.82

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	310.2	+1.0	310.8	308.8	549	11,273
Oct	304.7	-	305.3	304.5	486	4,369
Dec	301.9	+0.8	302.3	301.4	90	1,144
Mar	300.7	+0.3	300.8	300.5	20	826
May	300.3	-	301.0	300.4	22	410
Total					1,267	18,056

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	11.24	-0.05	11.32	11.20	17,736	39,085
Jul	11.08	-0.01	11.13	11.05	20,328	70,289
Oct	10.86	+0.02	10.86	10.81	4,476	33,543
Mar	10.76	-	10.77	10.72	1,777	19,568
May	10.71	+0.03	10.70	10.66	345	4,259
Jul	10.64	+0.03	10.63	10.61	25	1,892
Total					44,667	168,172

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	70.80	-0.06	70.98	70.30	4,800	14,493
Jul	72.40	-0.03	72.80	72.05	5,139	32,770
Oct	73.87	-0.20	74.00	73.80	193	2,175
Dec	74.90	-0.20	75.10	74.90	969	22,321
Mar	76.00	-0.23	76.15	76.00	67	2,801
May	76.55	-0.20	-	-	14	651
Total					10,869	76,220

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	74.55	-0.95	76.75	74.50	703	8,964
Jul	77.20	-1.20	79.50	77.20	527	10,975
Sep	80.15	-1.05	82.00	80.35	121	4,922
Nov	83.00	-0.95	84.25	83.00	28	2,188
Jan	85.00	-0.95	86.10	85.00	8	938
Mar	87.05	-1.05	88.50	87.50	1	667
Total					1,388	28,785

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	69.225	+0.175	69.375	68.850	1,107	3,380
Jun	64.750	+0.275	64.850	64.450	4,307	38,172
Aug	64.500	+0.55	64.550	64.000	1,789	24,734
Oct	68.275	+0.6	68.400	67.675	857	15,441
Dec	70.225	+0.575	70.300	69.850	209	8,327
Feb	71.150	+0.5	71.185	70.650	50	5,013
Total					8,328	93,894

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	85.250	-0.075	85.325	84.450	5,334	15,124
Jul	85.575	+0.2	85.750	84.800	2,324	5,349
Aug	82.550	+0.2	82.750	81.800	1,880	4,351
Oct	75.500	+0.425	75.550	74.800	1,524	4,004
Dec	72.275	+0.325	72.300	71.800	558	2,542
Feb	70.850	+0.1	71.000	70.500	107	586
Total					11,861	32,821

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	91.400	+1.45	91.800	88.250	3,177	3,433
Jul	90.400	+1.275	91.100	87.400	2,253	2,653
Aug	87.175	+1.675	88.200	84.850	422	814
Feb	78.275	+1.15	77.900	75.150	50	181
Mar	78.000	+1.5	77.400	-	3	8
Total					5,913	7,094

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1525	24	72	14	34
1550	12	58	27	45
1575	5	46	45	57
■ COPPER (Grade A) LME	**May**	**Aug**	**May**	**Aug**
2300	50	65	15	90
2350	22	46	38	120
2400	6	31	72	155
■ COFFEE LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
1600	135	192	66	116
1650	106	166	89	140
1700	85	144	119	168
■ COCOA LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
1000	58	90	37	45
1025	45	67	49	57
1050	35	59	64	74
■ BRENT CRUDE IPE	**Jun**	**Jul**	**Jun**	**Jul**
1800	-	-	38	-
1850	54	-	56	75
1900	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.82-6.89z	+0.36
Brent Blend (dated)	$17.87-7.89	+0.565
Brent Blend (Jun)	$18.37-8.39	+0.41
W.T.I.	$20.06-0.12z	+0.36

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$201-203	+2
Gas Oil	$168-171	+2.5
Heavy Fuel Oil	$78-80	
Naphtha	$171-173	+1
Jet fuel	$188-190	+1.5
Diesel	$175-176	+1.5

■ NATURAL GAS (Pence/therm)

Bacton (May)	10.3-10.4	

Petroleum Argus. Tel. London (0171) 359 8792

IPE (May)	10.250	

■ OTHER

Gold (per troy oz)‡	$342.55	+0.85
Silver (per troy oz)‡	475.00c	
Platinum (per troy oz.)	$361.00	+4.00
Palladium (per troy oz.)	$156.50	+6.00
Copper	113.0c	-1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.03r	
Tin (New York)	286.50	
Cattle (live weight)	91.61p	-2.88*
Sheep (live weight)	131.32p	-0.60*
Pigs (live weight)†	91.68p	+9.84*
Lon. day sugar (raw)	$277.20	+7.50
Lon. day sugar (wte)	$312.90	+2.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (May)♥	72.50p	
Rubber (Jun)♥	72.50p	
Rubber (KL RSS No1)	287.5x	-2.0
Coconut Oil (Phil)§	715.0y	
Palm Oil (Malay.)§	565.0z	
Copra (Phil)§	$455.0y	-5.0
Soyabeans (US)	224.0	
Cotton Outlook'A' Index	78.50c	+0.05
Wooltops (64s Super)	400p	-7

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y Apr/May♥ = Jun London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 441 head of pigs sold.

Tea

There was a strong general demand for tea, The Tea Brokers' Association reports.

Landed bright liquoring and good medium East African teas often advanced 2p-5p with coloury mediums fully firm to dearer. The few ceylons were also dearer.

Offshore - there was good demand for brighter teas at fuller firm rates but plainer sorts eased.

Quotations for this sale: Landed best available 166p; good 152p; good medium 144p, medium 137p, low medium 105p (NOM). The highest price realised this week was 166p for a Kenya Pf. and Rwanda Pd.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 21	Apr 18	month ago	year ago
1950.0	1946.8	1973.2	2115.6

■ CRB Futures (Base: 1967 = 100)

Apr 18	Apr 17	month ago	year ago
247.34	245.31		

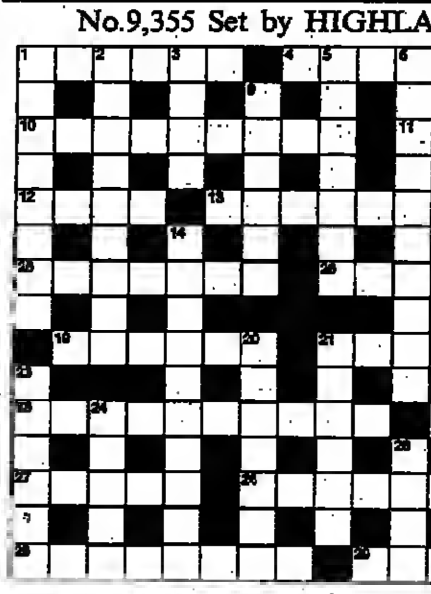
■ GSCI Spot (Base: 1970 = 100)

Apr 18	Apr 17	month ago	year ago
193.99	191.49	194.95	207.74

JOTTER PAD

CROSSWORD

No.9,355 Set by HIGHLANDER



ACROSS

1 His age disturbed Japanese girl (6)
4 Daft-sounding geometric figure that's solid but synthetic (8)
10 Members said royal family used to look after needy folk (9)
11 Month with golden scenery (5)
12 Get on with passenger's meals (4)
13 Tour not completed by army abroad in large numbers (3,2,5)
15 Oil change required after excursion on Mediterranean coast (7)
16 Sister starts to check it out for papal diplomat (6)
19 Scoff in fun, say (6)
21 Sorry if tulip is broken (7)
23 Plan to make further use of monastic spirit (10)
25 Egg on, drop off (4)
27 Fish not cooked in time and left (5)
28 Spoil a daughter trapped in male preserve (9)
29 Goes after two points – that shows guts (8)
30 Preserve French fashion in area that's Swiss (6)

DOWN

1 Writing on wall for tennis player, healthy one, too (8)
2 The involvement of John the Baptist (9)
3 Sound of laughter in Soho house (4)
5 Spanish or Portuguese Brie in a stew (7)
6 Vague description of an article (10)
7 Big vehicle much sought after by some players (5)
8 Made very knowledgeable without using head (6)
9 Burial places in which you lie, so to speak, on stomach (6)
14 Put very strong one all over plant (10)
17 Source of news in printed document put before social worker (9)
18 "B" and "D" lounge (Reform Club) (8)
20 Warm, almost there with a man short (7)
21 In France, not a test for dough (6)
22 Audibly breathe with relief before the cut (6)
24 Separated from father, turned to painting (5)
26 A delay over celebration (4)

Solution to Saturday's prize puzzle on Saturday May 3.
Solution to yesterday's prize puzzle on Monday May 5.

CURRENCIES AND MONEY

Franc weakens on political turmoil

MARKETS REPORT

By Simon Kuper

The French franc slid yesterday as the markets waited for President Jacques Chirac to call a general election, nine months ahead of schedule.

Mr Chirac is seeking an early poll because he believes that an election next year, which would coincide with key decisions on European monetary union, could raise doubts over the French stance towards Emu. But yesterday's turmoil raised fears for Emu and weakened most European currencies against the D-Mark.

The franc dropped from FFr3.368 against the D-Mark to FFr3.377, still well above its lows of late last year around FFr3.40. Foreign exchange strategists described yesterday's fall as moderate. The Bank of France was said to be intervening to support the franc, already the weakest currency in the European monetary system.

The weak franc helped buoy the D-Mark across the board. The German currency gained 1.5 pfennigs against the dollar to DM1.702, as the dollar continued to suffer on last week's tame US consumer price inflation data and a comment from Mr Hans Tietmeyer, Bundesbank president, that the bank was not interested in seeing the D-Mark weaken. Sterling fell with the dollar, dropping 1.7 pfennigs against the D-Mark to DM2.783.

The German currency also rose against the escudo, the lira, the peseta, and the Scandinavian currencies.

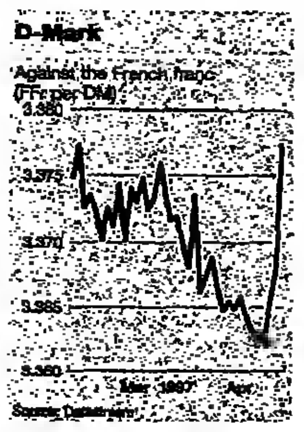
■ Pound in New York

Apr 21	—Latest—	— Prev. close —
£ spot	1.6360	1.6330
1 mth	1.6353	1.6323
3 mth	1.6338	1.6302
1 yr	1.6268	1.6245

■ The franc's fall yesterday was modest. The currency has lost almost all its volatility in recent years, as the markets believe that both the ruling French conservatives and the opposition socialists would take the country into Emu. The franc has been trending towards its central parity within the European exchange rate mechanism of FFr3.3539 against the D-Mark.

Ms Joselle Dubourg, market analyst at CDC Markets in Paris, said yesterday: "In time the market will settle down. We are seeing buying from French investors today who find the franc attractive at current levels." There was more interest in French asset and interest rate markets than in the franc yesterday, she added.

However, Mr Steve Hannah, head of research at IBJ International in London, said the key doubt was in how far a socialist government would back austerity measures in order to ensure Emu qualification. Mr Lionel Jospin, the opposition leader, yesterday opposed further budget cuts aimed at meeting the budget deficit criterion for Emu.



■ Perhaps the worst victim of the strong D-Mark yesterday was the lira. It fell L6 against the German currency to L993.5, breaking through its central parity of L990 within the ERM.

The lira suffered chiefly on fears for Italy's mini-budget, which was rejected by a parliamentary commission last week. There was also continuing talk that Germany and France have agreed to exclude Italy from the first round of Emu.

If Italy's budget fails to pass parliament, the country's chances of making the first round of Emu will be slim indeed, currency strategists said. Mr Hannah said the present skirmishes in the Italian parliament "raise the question in the market's mind about the sustainability of Italy's fiscal squeeze, aimed at qualifying the country for Emu."

The lira's weakness reduced market hopes of an Italian rate cut, despite better than expected consumer price inflation data from Italian cities yesterday.

■ The dollar slipped Y0.5 against the yen to Y125.5, but trading on the exchange rate was subdued ahead of this weekend's Group of Seven meeting in Washington. Many in the market believe that the summit will produce a statement on planned intervention by the G7, aimed at boosting the weak yen against the dollar. Mr Tadashi Ogawa, Japan's vice finance minister, said yesterday that at the meeting, "We will hold discussions with the relevant nations aimed at achieving stability of foreign exchange rates." The last G7 meeting, in Berlin in February, produced a joint statement designed to stop the dollar's long advance.

■ OTHER CURRENCIES

Apr 21	£	$
Czech Rp	49.8451 - 49.7246	30.3770 - 30.4070
Hungary	293.471 - 293.733	179.570 - 179.820
Iran	4905.90 - 4902.90	3000.00 - 3000.00
Kuwait	0.4952 - 0.4971	0.3030 - 0.3040
Poland	5.1064 - 5.1144	3.1245 - 3.1275
Russia	9382.52 - 9391.53	5741.00 - 5743.00
U.A.E.	5.9995 - 6.0065	3.6710 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Apr 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.5854	-0.1162	780 - 948	19.6867	19.5518	19.5419	2.7	19.4854	2.0	-	-	103.6
Belgium	(BFr)	57.4469	-0.3012	966 - 971	57.8020	57.3180	57.3219	2.6	57.0619	2.7	55.7369	3.0	103.5
Denmark	(DKr)	10.6020	-0.0662	971 - 069	10.6413	10.5839	10.58	2.5	10.5365	2.6	10.3265	2.6	108.1
Finland	(FM)	8.4123	-0.0342	054 - 192	8.4680	8.3770	-	-	-	-	-	-	82.3
France	(FFr)	9.3880	-0.0309	943 - 017	9.4261	9.3730	9.3758	2.8	9.3322	2.8	9.1151	3.0	108.2
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.9803	-0.0982	782 - 824	12.0470	11.9700	11.9658	1.5	11.9203	2.0	11.7253	2.1	103.2
Belgium	(BFr)	35.1400	-0.28	200 - 600	35.3320	35.0850	35.08	2.0	34.9625	2.1	34.4125	2.1	103.2
Denmark	(DKr)	6.4852	-0.0545	842 - 862	6.5145	6.4790	6.4763	1.6	6.4579	1.7	6.3782	1.7	105.2
Finland	(FM)	5.1458	-0.032	431 - 484	5.1774	5.1269	5.137	2.1	5.1183	2.1	5.0358	2.1	91.7
France	(FFr)	5.7487	-0.0313	482 - 492	5.7740	5.7370	5.738	2.2	5.717	2.2	5.6087	2.4	105.8
[illegible]													

... 26.0085 610 - 660 26.0700 26.0520 26.1335 -4.1 26.321 -4.0 26.8585 -3.4 -

† SDR rate per $ for Apr 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 18: ... The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

April 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	7	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	7.34
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	6	[illegible]	-	-	-
US Dollar CDs	-	5.49	5.64	5.77	6.08	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 21	Short term	7 days notice	One month	Three months	Six months	One year
[illegible]						

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate
■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%
■ ONE MONTH EUROMARK FUTURES (LIFFE) DM3m points of 100%
■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%
■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%
■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%
■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%
■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

* LIFFE futures also traded on APT

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9300	0.27	0.57	0.72	0.16	0.16	0.24
9325	0.14	0.40	0.55	0.28	0.27	0.32
9350	0.06	0.27	0.41	0.45	0.39	0.43

Est. vol. total, Calls 3149 Puts 950. Previous day's open int., Calls 149814 Puts 84974

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 21	BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
[illegible]																	

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM
■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr
■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100
■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
[illegible]							

UK INTEREST RATES

LONDON MONEY RATES

Apr 21	Over-night	7 days notice	One month	Three months	Six months	One year
[illegible]						

UK clearing bank base lending rate 6 per cent from October 30, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.20	0.12	0.12	0.05	0.26	0.50
9350	0.08	0.05	0.05	0.16	0.44	0.68
9375	0.01	0.02	0.03	0.36	0.66	0.91

Est. vol. total, Calls 1251 Puts 3957. Previous day's open int., Calls 167893 Puts 159736

EMS EUROPEAN CURRENCY UNIT RATES

Apr 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
[illegible]						

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)
■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)
■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%
■ US TREASURY BILL FUTURES (IMM) $1m per 100%
■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%
■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]						

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	•Singer & Friedlander	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	•Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	•Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	•Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
•Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	•Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		•Rea Brothers	6.00		

• Members of London Investment Banking Association
* In administration

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
[illegible]						

ABN AMRO Funds (u)

Abtrust Fund Mngrs Luxembourg SA (u)

Fidelity Funds - Contd.

Fleming Group (u)

Mercury Asset Management - Contd.

Midland Intl Circuit Fund SICAV(u)

Nikko Global Umbrella Fund

ACM Global Investment - Contd.

Aetna International Umbrella Fund (u)

Credit Commercial de France

Daiwa Japan Sera Fund

Daiwa Japan Small Equity Fd (u)

Dicam Worldwide Investment Fund

The Dragon Fund Sicav

Egypt Trust

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

Eagle Star Intl Life - Contd.

Equitable Life (International)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

[illegible]

OPEC appea lifts crude

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

BERMUDA (REGULATED)(**)

Aristocrat Capital Management Ltd

Bermuda Intl Invest Mgmt Ltd

Rothschild Management Co Ltd

Integral Bond Arbitrage Fund Limited

Orbis Investment Management Ltd

Philo Smith & Co

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mngmt (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Henderson Fd Mgrs (CI) Ltd

Hill Samuel Fund Managers (Guernsey) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management - Contd.

Rothschild Asset Mgmt (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

AIB Magnet Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Barclays Global Investors Guernsey Ltd

CMC Fund Managers (Guernsey) Ltd

Castle Management (Guernsey) Ltd

Christian Brothers Investment

Credit Suisse Asset Mngt Fund Managers

First Guernsey Fund Managers Ltd

Ford & Mclellan

Gartmore Fund Managers

Guinness Flight Fund Mngrs (Guernsey) Ltd

Lehman Brothers

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

NDH (Guernsey) Ltd

Royal Bank of Canada Intl Money Market Fd

Small International (Guernsey) Ltd

Schroder Fund Managers (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

UBS (Guernsey) Limited

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Credit Lyonnais Intl Asset Mgt (HK) Ltd

Coutts Fund Managers Limited

Dresdner Kleinwort Benson Intl Mgt Services Ltd

GT Global - Contd.

Global Asset Management

Gartmore Fund Managers (Ireland) Ltd

Lazard Brothers Investment Funds Ltd

Morgan Grenfell Investment Funds Ltd

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Murray Johnstone (Dublin) Ltd

Pioneer Management Ireland

Shaw & Friedlander Ins Funds Ltd

Swiss Life Investment Fund - Prolease (x)

GT Global

Thery (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

AIB Asset Management Ltd

ADN International Funds Plc

Argenta European Hedge Fund plc

Asia Dynamic Growth Fund Plc

Asia Small Cap Growth Fund plc

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Korea Fund

Asset Universal Ltd

Atlantis Korea Smaller Companies Fund

BT Fund Managers (Ireland) Limited

Bank of Ireland Unit Managers Ltd

Barclays Global Investors Ireland Ltd

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual (Ireland) Ltd

Berkshire KTIC Growth Fund Plc

Berkshire Korea Fund Plc

Blackstone Franks Managers (Ireland) Ltd

Border Invest (Ireland) Ltd

Buchanan Asset Management (Ireland) Ltd

CFP Interest Rate Arbitrage Fund Plc

Calyon Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Citizen Investment Trust Mngt Company

Daiwa Europe Fund Mgrs Ireland Ltd

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Eagle Star European Life Assurance Co Ltd

Sparton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Markets Growth Fund Plc

F.I.T. Investment Trust Ltd

Fidelity Market Fund Plc

Fortune Select Fund

Framlington Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd

Fresh Korea Fund

Fuji Investment Management Co (Europe) Ltd

GAM Fund Management (Ireland) Ltd

GT Global

Global Resources Stock Fund

Goldman Sachs

Gordon House Asset Management Ltd

HSBC UK Equity Plus Ltd

INVESTORS Fund Services (Ireland) Ltd

Kiwa Far East Fund Plc

Korea Active

Korea Balanced Return Fund

Korea Bond Fund Plc

Korea Capital Growth Fund

Korea Investment Management Ireland Ltd

Korea Open Fund

Korea Special Opportunities Fund Plc

Korea Strategic Growth Fund

Korea Emerging Growth Fund Plc

Korea Power Fund

Korean Preferred Share Fund

Lazard Brothers Investment Funds Ltd

Legal & General UK Extra Growth Plc

Lehman Bros.AILS Portfolios Mngt Ltd (x)

Lotus Fund Plc

Mellon Asset Management (Ireland) Ltd (x)

Merrill Lynch

MeesPierson Fund Services (Dublin) Ltd

Morgan Grenfell Cash & Money Market Plc

Morgan Grenfell Fixed Income Funds Plc

Morgan Grenfell Protected Plc

New DRI Bond Fund

The Northern Trust Global Cash Funds Plc

Orange Trust Umbrella Fund Plc

Orient Balanced Fund Plc

Pacific 21st Century Fund

Pacific Growth Fund Ltd

Paine Webber Offshore Funds Plc

Pioneer Management (Ireland) Ltd

Prudential Securities Futures Management Inc

Q&B Global Fund

Samsung Global Asia Growth Fund Plc

Scottish Amicable Investment Managers Ltd

Scottish Mutual Intl Fund Managers Ltd

Seltern Investment Mngt (Ireland) Ltd

Shaw & Friedlander Closed Funds Plc

Soditic Global Plc

Societe Generale Group

Tempest Japan Fund

Trainer Wortham & Company Inc

Ulster Bank Investment Services

Value Express Fund Plc

Yamaichi Germany Dynamic Fund

Yuki Korea Fund

Yuki Taiwan Fund

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1000)F

Ambassador Global Funds Ltd (1000)

Bank of Ireland Asset Management (IOM) Ltd

Bakers Fund Managers Ltd

Old Mutual Intl Fd Managers (Isle of Man) Ltd

Mercury Fund Managers (IoM) Ltd

Gartmore Intl Fund Mgrs (IoM) Ltd

Isle Life Management

Ulster Bank Global Funds Plc

Gilbert Scandinavia Fund Plc

ISLE OF MAN (REGULATED)(**)

BOE International Asset Management

Bank of Ireland Asset Mgmt (IOM) Ltd

City Financial Admin (IoM) Ltd

Old Mutual Intl Fd Managers (Isle of Man) Ltd

Sylvain International Fund Managers Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Gartmore Fund Managers Intl Ltd

Lloyds Bank (CI) U/T Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Newton Fund Mgrs (CI) Ltd (1200)F

Perpetual Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

Standard Bank Fund Mngt (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Bank of Scotland Fund Managers (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Barclays Intl Funds

Cater Allen Investment Management (CI)

Cazenove International Asset Mngt Ltd

Citibank (CI) Ltd

Citibank S.A.

Coutts (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

Henderson Fund Managers (Jersey) Ltd

John Govett Management (Jersey) Ltd

INVESCO International Ltd

Jupiter Asset Management (Jersey) Ltd

Lazard Fund Administration (CI) Ltd

Liberty International Asset Management

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Lonrac Financial Services Limited

Mercury Asset Mngt (Channel Islands) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Newton Fund Managers (Jersey) Ltd

Northgate Unit Trt. Mngrs (Jersey) Ltd

Perpetual (CI) Mngrs (Jersey) Ltd

Royal Bank of Scotland Fund Managers (Jersey) Ltd

Royal Bk of Scotland Intl Ltd

Standard Bank Fund Mngt (Jersey) Ltd

TSB Fund Managers (CI) Ltd

WMB Asset Management (Jersey) Ltd

Worldinvest (Jersey) Ltd

[illegible]

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DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

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LONDON STOCK EXCHANGE

Action in financials pushes Footsie higher

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Much of the action in London stocks yesterday was concentrated in the banking sector as the flotation of the former Alliance & Leicester building society, which followed Abbey National in adopting banking status, triggered a wave of buying in the sector.

Meanwhile, good news in the banks spilled over into other areas of the market, helping to drive share prices of the FTSE 100 constituents higher for the fifth consecutive trading session.

But senior market traders insisted that turnover across the broad market, exclnding the banks, remained extrsmely depressed and was likely to stay the same until the outcome of the May 1 general election is known.

"Without the Alliance flost it would bave been a dismal day for the market in terms of share price performance and turnover levels; the institutions refuse to get involved, outside of special situations," said one.

And witb economic oews in the UK and the US thin on the ground this week there is little to excite the market.

In the UK the retail sales numbers for March will be scrutinised carefully for signs of a pick up in spending in the high streets, whicb could well be seen as adding to the calls for a rise in interest rates after the election. No substantial economic news is due from the US.

Wall Street's good closing performance last Friday, when the Dow Jooes Industrial Average moved up 44 points, helped London's confidence at the start of the session. But the US market did little for overall sentiment at the start of trading yesterday when the Dow kicked off in good heart, before slipping back into the red and stabilising as London finished for the day.

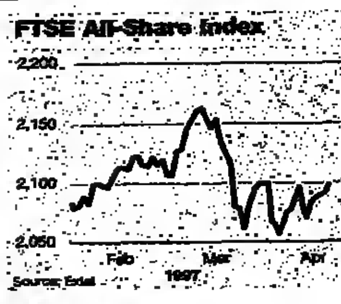
At the end of the trading session, the FTSE 100 was left with an 18.2 gain at 4,328.7. Second-line stocks were largely ignored however, the FTSE 250 Index finishing a dismally quiet session a net 0.5 firmer at 4,518.2. The FTSE SmallCap settled 0.4 easier st 2,295.6.

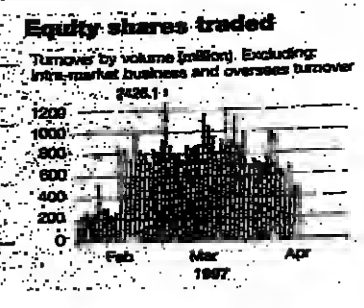
Overall turnover in the market at the 6pm cut-off point was 695.0m shares, but that number included 88m shares traded in Alliance & Leicester, over 12 per cent of the total figure.

The sparkling dabut performance by Alliance & Leicester took the market by surprise, with Friday's expectation of an opening level around the 520p to 530p mark left behind following the aggressive bidding in the first of the three auctions of stock being sold by members of ths former building society.

And not even the most optimistic market observers had expected the shares to top the 578p mark achieved during the early afternoon. Marketmakers said the second auction was not expected to be fully subscribed.

Other bank stocks raced higher in sympathy with Alliance & Leicester and provided five ont of the top six performers in the FTSE 100. Hints around the dealing desks suggested the flotation would trigger revaluations of other big banks, ootably Barclays and NatWest.





Indices and ratios

FTSE 100	4328.7	+18.2	FT 30	2844.4	+9.9
FTSE 250	4518.2	+0.5	FTSE Non-Fins p/e	18.17	18.14
FTSE 350	2128.7	+7.2	FTSE100 Fut Jun	4344.0	+26.0
FTSE All-Share	2098.91	+6.47	10 yr Gilt yield	7.61	7.58
FTSE All-Share yield	3.64	3.65	Long gilt/equity yld ratio	2.09	2.07

Best performing sectors

1 Banks: Retail ....+0.8
2 Alcoholic Beverages ....+0.8
3 Oil: Integrated ....+0.7
4 Pharmaceuticals ....+0.6
5 Mineral Extraction ....+0.6

Worst performing sectors

1 Gas Distribution ....–0.9
2 Tobacco ....–0.7
3 Engineering ....–0.3
4 Diversified Industrials ....–0.2
5 Textiles & Apparel ....–0.2

Alliance boosts banks

By Peter John and Joel Kibazo

First dealing in the Alliance & Leicester building society dominated the market yesterday and left many analysts stunned as the share price appeared to run away from itself.

Brokers had predicted the shares would begin trading at about 520p. But, at the first auction of shares late on Friday, only 36 bids were successful. And dealers said that as institutions would have made bids at several levels the sncessful bids may have been made by no more than a 12 institutions.

With many more funds left out in the cold marketmakers expected demand and set their opening prices at 550p, possibly in an attempt to head off buying orders that might have been hard to fill.

In the event, there was some demand and in a very difficult market the price was quickly squeezed up to 578p with an additional pusb from takeover talk that had been seen around the market late on Friday, and even some suggestions that the Alliance might make a share repurchase.

The hike ensured that the reserve price for last night's auction of the second 52m-share tranche would be set at around the 560p level.

But dealers said yesterday saw the most acute shortage of shares that was likely in Alliance. They said as more shares come on to the market the price could well slide un less a bidder emerges.

Alliance ended the day at 566½p with turnover of 88m. The bulk of the volume – 52m sbares – represeotad the stock bought at Friday's suction.

Bank of Scotland led the sector higher as one broker argued that, in the light of yesterday's building society flotation, the smarter investor does not go to the Alliance & Leicester.

Credit Lyonoais Laing pointed out that while BoS was on a similar market capitalisation to Alliance it was expected to generate almost twice as much profits and was on a 10 per cent p/e discount to the prospective Alliance rating.

"Its track record is excelleot, its managemeot is excellent and if you are going for the mortgage play, 40 per cent of Bank of Scotland's domestic loan book is represented by mortgages," said Mr Johnny de ls Hey, of Laing.

Bank of Scotland shares gained 14 to to 339½p, the best percentage performance in the Footsie. The bank is scheduled to announce preliminary results tomorrow with profits and the dividend total expected to increase by in excess of 20 per cent.

Altogether, five of tha Footsie's top six performers came from the banking sector. Royal Bank of Scotland ended the day 14½ higher at 544p, Barclays 18½ np at £10.28½p and Abbey National 14 higher at 812½p. National Westminster lifted 18½ to 697p with additiooal help from Fox-Pitt, Kelton, the boutique investment bank that recommended the stock.

Standard Chartered failed to benefit from the mortgage-related rush of buying in the banking sector. The shares, which are exposed to currency fluctuations, fell 16½ to 873½p, the worst performance in the FTSE 100.

Tate & Lyle improved 2½ to 444p, with the stock boosted by a broker's recommendation. Lehman Brothers rates the shares a "buy" on the basis of the recovery in the US sugar sector.

In a note to clients, the broker said: "First half results for Savannah Foods (a competitor of Tate & Lyle's Domino sobsidiary) publisbed on Thursday April 17 provide strong confirmation of the recovery in profitability of the US sugar industry."

Elsewhere in the sector, shares in Anglo-Dutch group Unilever tested the £16.00p level in the course of the session before coming off the top to close s net 15½ up at £15.94p.

Talk in the market continued to suggest cbemicals group ICI, steady at 687½p, would soon announce a bid for Unilever's speciality chemicals division, put up for sale in February.

International chemicals groups Akzo Nobel of the Netherlands and DuPont of the US are also understood to have joined ICI on the list of companies in bidding for the Unilever division.

Speculation that Unilever is to use the proceeds from the sale to acquire Reckitt & Colman helped lift the shares 7 to 807½p.

Sentiment in the stock was further enhanced by a NatWest Securities recommendation. Tha broker advised clients to "add" to holdings: "We think Reckitt has made a good start to the year, especially in the USA and the UK, and we are able to hold our forecasts despite the continued strength of sterling."

Raine Industries gained 2 to 19½p. The company annoonced it had noted the recent rise in the company's share price and was in discussion with a third party that may lead to an all-share offer for the company at a modest premium to the share price. One analyst said Tarmac and Berkeley were possible bidders. Tarmac was steady at 118½p and Berkeley was up 1½ at 695p.

In transports stocks, channel tunnel operator Eurotunnel hardeoed 1¼ to 71p, ahead of the publication of full-year figures on Thursday.

Turnover in BT rosa to 23m, making it by far the busiest FTSE 100 stock, with a daily total more than double that of the second most active stock.

The shares advanced 7 to 451½p, following a press report that BT and BSkyB, the satellite television broadcaster, will soon announce a deal that will hasten market penetratioo for new digital television channels. Shares in BSkyB closed 5½ lower at 579½p.

Prudential Corp improved 2½ at 574½p as Lehman Brothers published a buy recommendation on the stock. The broker said the recent first-qnarter figures, which showed that new business was up 20 per cent oo a weighted basis, were "proof that 1996 was not a flash in the pan".

Food and drinks group Grand Metropolitan gained 8¼ to 508½p, its highest level since 1992, after announcing it has agreed to sell Aunt Nellie's Farm Kitchens, part of its Pillsbury unit, to Seneca Foods Corp for £15m.

Symonds, the engineering group, fell 9 to 38p after warning of a discrepancy in its accounts.

European Colour, the speciality chemicals group, added 8 at 66p after positive commeot in the weekend press.

One newspaper highlighted recent purchases of shares by directors of the company and said analysts expected year-end results to sbow a 30 per cent jump in profits to £3.8m.

FT 30 INDEX

	Apr 21	Apr 18	Apr 17	Apr 16	Apr 15	Yr ago	*High	*Low
FT 30	2844.4	2834.5	2834.1	2836.8	2833.1	2880.1	2931.4	2668.8
Ord. div. yield	3.90	3.92	3.92	3.92	3.93	3.86	4.22	3.76
P/E ratio net	17.00	16.93	16.94	16.93	16.90	16.86	18.08	15.80
P/E ratio nil	16.82	16.76	16.76	16.76	16.73	16.62	17.87	15.71

FT 30 since compilation: high 2931.4 10/03/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2836.9	2823.4	2827.0	2834.9	2835.8	2834.7	2840.2	2842.4	2842.0	2845.1	2823.0

	Apr 21	Apr 18	Apr 17	Apr 16	Apr 15	Yr ago
SEAQ bargains	56,591	38,573	40,049	42,118	40,800	42,481
Equity turnover (£m)†	-	N/A	1890.2	1734.7	1839.0	1629.8
Equity bargains†	-	N/A	37,568	37,090	36,575	48,776
Shares traded (ml)†	-	N/A	785.5	481.2	477.8	622.4

†Excluding intra-market and overseas turnover but including Crest turnover.

	Apr 21	Apr 18	Apr 17	Apr 16	Apr 15	Yr ago	*High	*Low
FTSE AIM	1092.5	1090.7	1089.7	1087.1	1089.0	1036.4	1140.4	965.7

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	613	Total Highs	49	Total contracts	29,900
Total Falls	490	Total Lows	40	Calls	16,833
Same	1,298			Puts	13,067

*Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4329.0	4344.0	+29.0	4355.0	4305.0	4194	62210
Sep	4336.0	4370.0	+29.0	4336.0	4336.0	10	2901
Dec	-	4410.0	+29.0	-	-	0	40

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	4520.0	-	-	-	0	4841

■ FTSE 100 INDEX OPTION (LIFFE) (*4321) £10 per full index point

	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P	4500 C	4500 P
May	202	15	159	22	118	32½	82½	50	53	69	31	99	16	136½	7½	180
Jun	236	41½	197½	53½	159	65½	127	84	97	103½	72½	130½	49½	159½	34	195½
Jul	266½	58	236	70	191½	85	158	103	127	122½	101½	148½	78½	176	59½	209
Aug	276½	73	238½	83½	207½	103½	176½	121	145½	142	123	169½	100½	197	80	226
Dec†			329½	131			263½	165½			206	210			157½	262

Calls 1,154 Puts 3,243

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P	4525 C	4525 P
May	180½	20	136½	28	100	39½	67	58	41½	80	23½	112	11½	149½	5	183
Jun	214½	47	177	59½	142½	74½	111½	93	84½	115	62½	142½	43½	173½	28½	208
Jul	243½	61	207	74	173	89	141½	107	113½	128	88½	152½	67	180½	49½	212
Sep			248	106½			185	141			132	185½			89½	241
Dec†			310½	132½			247	165			190½	205			143	253½

Calls 10,881 Puts 4,135 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,287	576	542½	Alliance & Leic	565½		18.3	2.5	3.6	13.9
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
§100	F.P.	66.0	103½	86½	†Avalon Oil	86½		-	-	-	-
	F.P.	768.6	142½	124	Avis Europe	132	-1	N4.12	2.7	3.1	15.0
§	F.P.	5.87	44½	38½	†Bickerton	38½		-	-	-	21.5
§40	F.P.	12.2	65	54½	†Charlton Athltc	58		-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§	F.P.	11.3	74½	70½	Donatantonio	74½		0.5	♦	0.8	♦
§175	F.P.	55.8	207½	175	Harvey Nash	200		F4.0	-	2.5	-
§175	F.P.	25.9	212½	198	Heefa	212½		L3.9	3.1	2.3	15.5
§44	F.P.	4.06	50	46	†Mathvan's	48		-	-	-	-
50	F.P.	20.8	54½	52½	†NMT	52½	-2	-	-	-	-
§135	F.P.	168.3	144½	117½	Newcastle Utd	117½	-5½	u1.6	-	1.7	-
*	F.P.	1.71	28½	28½	†Northstar Sacs	28½		-	-	-	-
	F.P.	4.75	95	95	Oxford Tech Vent	95		-	-	-	-
-	F.P.	39.5	16	12½	†Sibir Energy	15½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
-	F.P.	73.4	61½	59	Utd Overseas Grp	61½		-	-	-	13.3
§	F.P.	-	177	177	Worldsec	177		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Apr 18	% chg on day	Apr 17	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1588.60	-0.8	1593.15	2274.56	2.17	-	2382.86	1537.77
■ Regional Indices								
Africa (14)	1830.57	-0.1	1832.07	3057.54	4.88	29.00	3197.32	1830.57
Australasia (6)	1845.36	+2.5	1800.23	2618.13	2.88	20.25	2844.14	1799.26
North America (12)	1419.97	-1.9	1447.12	2002.23	0.94	55.42	2126.45	1413.59

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Apr 21	Day's chge%	Apr 18	Apr 17	Apr 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4328.7	+0.4	4310.5	4298.8	4294.6	3852.7	3.73	2.08	16.13	62.29	1837.12
FTSE 250	4518.2	----	4517.7	4524.9	4524.6	4544.1	3.55	1.54	22.87	52.27	1873.27
FTSE 250 ex IT	4580.2	----	4580.3	4567.4	4567.9	4582.5	3.63	1.57	21.99	53.70	1895.81
FTSE 350	2128.7	+0.3	2121.5	2117.7	2116.0	1944.6	3.69	1.97	17.17	29.38	1844.62
FTSE 350 Higher Yield	2065.0	+0.4	2057.1	2054.4	2050.0	1879.0	4.78	1.85	14.14	34.17	1513.98
FTSE 350 Lower Yield	2198.0	+0.3	2191.7	2188.6	2183.1	2017.8	2.59	2.20	21.97	24.22	1561.02
FTSE SmallCap	2295.65	----	2298.04	2298.39	2296.71	2195.32	3.04	1.69	24.27	23.87	1937.91
FTSE SmallCap ex IT	2308.18	----	2309.26	2312.15	2310.68	2184.76	3.22	1.77	21.89	25.45	1964.01
FTSE All-Share	2098.91	+0.3	2092.44	2089.10	2087.46	1923.94	3.84	1.85	17.57	26.42	1845.91

■ FTSE Actuaries Industry Sectors

	Apr 21	Day's chge%	Apr 18	Apr 17	Apr 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4023.00	+0.6	3998.94	3981.47	3984.55	3485.07	3.71	2.15	15.69	70.25	1794.41
12 Extractive Industries(5)	4082.27	+0.4	4067.37	4037.69	4062.55	4664.00	3.86	2.39	13.59	104.80	1247.82
15 Oil, Integrated(3)	4130.55	+0.7	4102.59	4080.53	4078.33	3493.59	3.93	2.11	15.07	70.72	1882.59
16 Oil Exploration & Prod(12)	3455.70	+0.2	3448.21	3474.75	3491.34	2475.07	1.67	2.19	34.12	34.64	2115.19
20 GEN INDUSTRIALS(270)	1970.37	----	1971.22	1974.10	1973.30	2172.55	4.05	1.93	16.04	26.29	1116.94
21 Building & Construction(35)	1350.24	-0.1	1351.27	1350.26	1344.87	1264.23	3.18	1.90	20.63	16.55	1169.82
22 Building Matls & Merchs(31)	1882.89	+0.5	1883.69	1875.76	1863.62	2005.01	4.24	2.76	10.61	28.04	983.66
23 Chemicals(26)	2228.81	-0.1	2231.07	2238.36	2245.90	2586.62	4.71	1.59	16.74	38.64	1100.24
24 Diversified Industrials(16)	1455.05	-0.2	1457.68	1457.19	1467.03	1825.90	4.98	2.05	12.30	28.04	857.00
25 Electronic & Elect Equip(38)	2153.32	+0.1	2150.15	2173.79	2163.96	2426.21	3.65	1.56	21.87	6.12	1147.80
26 Engineering(70)	2557.49	-0.3	2565.45	2564.52	2558.56	2504.47	3.31	2.46	15.36	29.53	1600.58
27 Engineering, Vehicles(13)	2787.98	+0.1	2784.59	2795.73	2813.49	3080.12	3.99	‡	‡	27.83	1486.57
28 Paper, Pckg & Printing(27)	2442.78	-0.1	2445.54	2459.22	2470.00	2817.01	4.28	1.89	15.43	39.50	1058.36
29 Textiles & Apparel(14)	1094.52	-0.2	1096.38	1098.56	1096.35	1458.15	6.44	0.95	20.54	10.66	899.35
30 CONSUMER GOODS(94)	4224.38	+0.5	4205.19	4203.12	4201.04	3538.33	3.58	1.82	19.18	74.34	1626.41
32 Alcoholic Beverages(7)	2954.76	+0.8	2931.17	2910.91	2813.94	2868.58	4.44	1.89	14.90	62.25	1118.51
33 Food Producers(25)	2874.07	+0.4	2863.79	2860.72	2870.02	2550.40	3.84	1.87	17.39	48.97	1353.09
34 Household Goods(17)	2862.55	+0.5	2848.65	2850.48	2840.56	2659.71	3.61	2.31	15.00	53.41	1176.83
36 Health Care(15)	2234.44	-0.1	2235.93	2234.15	2249.80	1946.69	2.66	1.63	28.77	13.35	1368.95
37 Pharmaceuticals(18)	6661.82	+0.7	6617.17	6609.33	6587.62	4865.53	2.76	1.72	26.41	94.65	2335.02
38 Tobacco(2)	4410.65	-0.7	4441.61	4497.54	4508.11	4332.86	6.14	1.89	10.77	147.58	1174.11
40 SERVICES(273)	2617.61	+0.2	2612.71	2606.93	2605.10	2541.63	2.98	1.97	21.46	26.31	1402.06
41 Distributors(30)	2743.88	+0.4	2733.10	2724.12	2700.25	2965.22	3.34	1.95	19.21	29.61	1043.02
42 Leisure & Hotels(31)	3404.43	----	3402.87	3409.90	3410.02	3254.65	2.68	1.78	26.55	56.97	1882.98
43 Media(44)	4185.91	-0.1	4188.06	4165.18	4168.94	4264.69	2.36	1.99	26.88	54.82	1553.01
44 Retailers, Food(15)	2008.15	+0.4	2000.19	1978.93	1985.80	1955.42	4.01	2.30	13.57	22.51	1322.37
45 Retailers, General(53)	2071.73	+0.4	2063.58	2062.90	2055.93	2125.11	3.22	2.03	19.11	14.02	1218.44
47 Breweries, Pubs & Rest.(22)	3261.17	+0.1	3258.20	3225.69	3241.00	3175.31	3.33	2.10	17.88	17.33	1608.63
48 Support Services(56)	2851.31	+0.2	2848.94	2850.19	2842.72	2250.24	1.85	2.59	26.01	17.09	1861.61
49 Transport(22)	2792.44	+0.2	2785.52	2800.97	2800.17	2484.64	3.48	1.27	28.34	29.65	1206.51
60 UTILITIES(32)	2747.23	+0.3	2739.85	2750.24	2748.75	2680.10	4.88	1.54	16.69	5.34	1248.53
62 Electricity(9)	2994.83	----	2996.09	3015.29	3015.53	3089.74	5.76	2.18	9.93	22.08	1654.17
64 Gas Distribution(2)	1626.73	-0.8	1641.87	1665.42	1653.64	1671.06	7.50	‡	‡	0.00	890.10
66 Telecommunications(9)	2276.42	+0.5	2264.86	2264.66	2259.59	2200.99	3.65	1.70	20.13	0.38	1075.79
68 Water(12)	2542.74	+0.5	2530.14	2544.12	2554.27	2246.03	5.86	2.33	9.15	0.00	1470.64
69 NON-FINANCIALS(679)	2156.41	+0.3	2150.69	2150.06	2148.50	2058.72	3.68	1.87	18.17	26.38	1701.54
70 FINANCIALS(106)	3837.03	+0.5	3817.82	3790.81	3787.61	2863.71	3.73	2.35	14.27	76.05	1726.52
71 Banks, Retail(8)	5662.95	+0.8	5617.71	5552.15	5553.81	3977.69	3.53	2.65	13.37	122.52	1936.84
73 Insurance(18)	1628.59	----	1628.81	1631.35	1625.66	1397.84	5.30	2.30	10.25	37.81	1289.41
74 Life Assurance(7)	4510.26	+0.2	4501.72	4485.44	4467.60	3704.32	3.90	1.97	16.27	96.18	1959.38
77 Other Financial(26)	3067.14	----	3068.40	3072.03	3067.01	2596.15	3.40	1.90	19.36	34.22	1812.38
79 Property(44)	1853.26	+0.1	1854.45	1857.26	1855.35	1559.58	3.45	1.30	27.61	13.53	1179.92
80 INVESTMENT TRUSTS(127)	3228.50	+0.1	3223.95	3229.60	3222.85	3254.30	2.27	1.14	48.48	23.37	1161.76
89 FTSE All-Share(912)	2098.91	+0.3	2092.44	2089.10	2087.46	1923.94	3.84	1.85	17.57	26.42	1845.91
FTSE Fledgling	1307.93	----	1307.74	1306.06	1303.67	1222.83	3.00	0.70	52.58	11.48	1403.84
FTSE Fledgling ex IT	1333.32	----	1333.37	1331.34	1328.66	1228.47	3.29	0.76	50.03	12.56	1434.29

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4320.8	4299.5	4303.9	4312.9	4310.8	4308.8	4316.3	4322.0	4321.0	4328.7	4299.2
FTSE 250	4519.8	4515.6	4519.1	4518.2	4519.4	4518.9	4519.0	4516.8	4516.4	4520.1	4517.9
FTSE 350	2125.7	2117.4	2118.1	2122.6	2121.8	2120.9	2124.7	2126.1	2125.7	2128.7	2117.3

Time of FTSE 100 Day's high: 4:30 PM Day's low: 8:56 AM. FTSE 100 1996/97 High: 4444.3 (11/03/97) Low: 4056.6 (10/01/97).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1256.5	1256.0	1256.1	1256.1	1255.8	1255.6	1255.6	1255.3	1255.0	1255.0	1256.6	-1.6
Pharmaceutcls	6531.9	6499.5	6513.3	6517.1	6516.8	6517.8	6533.6	6550.7	6563.4	6578.5	6533.3	+45.2
Water	2526.7	2527.6	2530.9	2542.6	2540.8	2533.4	2538.5	2538.1	2536.8	2538.3	2525.3	+13.0
Banks, Retail	5747.5	5701.4	5705.7	5722.3	5703.5	5694.8	5707.7	5709.1	5711.8	5735.2	5689.4	+45.8

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Name Change: Electric & General to Henderson Electric & General(FTSESmallCap), HTR Japanese Smlr Cos Tst to Henderson Japanese Smlr Cos Tst(FTSE SmallCap)&(80), Primadona to Jupiter Primadona Gwth Tst (FTSE Fledgling). Greenfriar Inv Co to Henderson Greenfriar Inv Co (FTSE SmallCap)&(80). Abtrust Euro Index IT to Aberdeen IT; Deletion: Fiscal Properties (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	348	498½	+½
ASDA Group†	3,100	111¼	+¼
Abbey National†	11,300	812½	+14
Airtours	212	924½	+7
Albert Fisher	1,200	42¼	-½
Allied Domecq†	1,700	432	+4½
Anglian Water	429	850	
Argos	491	659½	+6
Arjo Wiggins	202	185½	+1
Assoc. Brit. Foods†	67	528½	+6½
Assoc. Brit. Ports	1,400	260½	-12
BAA†	1,900	535½	+5
BAT Inds.†	3,700	527	-4
BBA	712	348½	+3
BICC	385	259½	-½
BOC†	408	908	-1½
BG†	6,700	183½	-2
BP†	4,700	691½	+8
BPB	189	330	+2½
BSkyB†	2,000	579½	-5½
BT†	23,200	451½	+7
BTR†	6,100	249½	-1½
Bank of Scotland†	5,200	339½	+14
Barclays†	7,100	1028½	+18½
Bass†	2,100	790½	-5
Blue Circle†	1,900	423½	+8½
Booker	853	321½xd	+2
Boots†	1,900	692½	-5
Britannic	107	819	+9½
Brit. Aerospace†	675	1351	+2½
British Airways†	1,300	691½	+½
British Biotech	404	240	-3½
British Energy	2,300	134½	+1½
British Land†	158	537	+½
British Steel†	2,100	146½	-1¾
Burmah Castrol†	232	1008½	-1
Burton†	1,400	150¼	+¾
Cable & Wire†	3,500	477½	-5
Cadbury Schweppes†	3,800	516½	-2
Caradon	166	258½	
Carlton Comms.†	1,000	535	+2½
Centrica†	6,500	58¼	+¼
Chubb	1,500	425	+½
Coats Viyella	731	136½	
Comm. Union†	1,700	636½	-7½
Compass	141	672½	+1
Cookson	384	221½	+1
Courtaulds	488	331½	-3½
Dalgety	375	327½	-4
De La Rue	879	536½	-9
Dixons†	1,900	514	+5½
EMAP	90	758½	-4
EMI†	479	1176½	-14½
Electrocomps	572	418	+3
Energy Group†	925	498	+3
Enterprise Oil†	2,800	607½	
FKI	307	188½	-1½
Foreign & Col. I.T.	805	151¼	
Gen. Accident†	1,000	800	+1½
General Elect.†	2,500	371½	+1½
Glaxo Wellcome†	2,500	1150½	+14½
Glynwed	830	279	+½
Granada†	2,100	889½	+½
Grand Met.†	2,700	508½	+8½
GUS†	1,300	642	+7
Greenalls	546	520	+8½
GRE†	1,800	275½	+1
GKN†	276	943½	-1½
Guinness†	888	513	-½
HSBC (75p shs)†	778	1539	+1
Hammerson	18	430	-½
Hanson†	2,800	299½	-3
Harrisons Crosfield	4,900	123	-3
Hays†	1,900	525	+8
Hillsdown	1,200	190	-1½
Hyder	320	833½	
IMI	535	360½	+2
ICI†	1,200	687½	
Imperial Tobacco†	2,900	421½	-1
Inchcape	1,500	283½	+3
Johnson Matthey	201	522½	-2
Kingfisher†	886	664½	-7½
Kwik Save	10	302½	
Ladbroke†	1,000	236	+1
Land Securities†	165	751½	+½
Laporte	62	651	-½
Legal & General†	5,300	396	-1½
Lloyds TSB†	4,800	593½	+1½
LASMO†	2,900	226½	+1½
Lonrho	4,400	136	+1
LucasVarity†	3,900	194	+1½
MEPC	1,400	457	-2
MFI	315	143	-½
Marks & Spencer†	4,700	490½	+5
Mercury Asset Man†	654	1261½	-2½
Morrison (Wm.)	536	163	+1½
NFC	421	144	+3½
NatWest Bank†	2,100	697	+18½
National Grid†	3,400	218½	-1½
National Power†	2,400	526	+2½
Next†	1,100	652	+7
Northern Foods	286	212½	+1½
Orange†	912	215	+1½
Pearson†	471	729½	+3½
P & O†	103	607½	-2
Pilkington	2,600	118	-½
PowerGen†	855	649	+7½
Premier Farnell	1,100	500	+1
Provident Financial	1,200	585½	
Prudential†	811	574½	+2½
REXAM	1,100	319	-½
RMC†	1,300	945xd	
RTZ†	1,600	960	+7
Racal	2,500	247½	+4
Railtrack†	1,400	446½	+8
Rank Group†	1,900	424½	-1½
Reckitt & Colman†	2,700	807½	+7
Redland	844	346½	+7
Reed Intl.†	3,000	1131½xr	+25¾
Rentokil Initial†	3,900	389	-2½
Reuters†	2,400	687½	+8½
Rolls Royce†	6,700	244xd	-½
Royal & Sun Allce†	1,600	445½	+2½
Royal Bk Scotland†	1,900	544	+14½
Safeway†	6,000	344½	+½
Sainsbury†	2,300	330	+3
Schroders†	29	1517½	
Scottish & New.†	2,000	681	+6
Scot. Hydro-Elect.	1,700	378½	-1½
Scottish Power†	888	374	-1
Sears	1,800	80	+½
Securicor	800	287	+1½
Sedgwick	122	126½	
Severn Trent†	856	750	+2½
Shell Transport†	3,000	1091½	+2
Siebe†	2,500	945	+3
Slough Ests	264	264xd	+2¼
Smith (W.H.)	816	436½	-½
Smith & Nephew†	858	177	-¼
SmKl Beecham†	1,700	908	+2
Smiths Inds.†	3,000	759xd	-3¼
Southern Elect	838	427	-6½
South West Water	134	579½	+1
Stagecoach	372	603½	+7
Standard Chartd.†	2,460	873½	-16½
Storehouse	111	235½	+½
TSN	432	144½	+½
TI Group†	308	551	-4½
Tarmac	1,900	118½	+½
Tate & Lyle†	538	444	+2½
Taylor Woodrow	217	190½	-½
TeleWest Comms	641	88½	-7½
Tesco†	3,700	361½	+1
Thames Water†	461	676½	+6½
Thorn	1,000	163½	+½
Tomkins†	3,200	265½	-½
Unigate	109	460	-1½
Unilever†	981	1594	+15½
United Biscuits	584	227	-½
Utd. News & Media†	300	724	-3½
United Utilities†	472	681½	+2
Vodafone†	5,100	288½	+2
WPP	1,000	280½	+3
Wessex Water	80	378½	+3½
Whitbread†	182	768½	-½
Williams Hldgs.	1,900	314½	+2
Willis Corroon	72	147	
Wimpey	515	139	-½
Wolseley†	1,000	501½	+8½
Yorkshire Elect	17	926½	
Yorkshire Water	201	667½	+4
Zeneca†	1,300	1839½	+8½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

FINANCIAL TIMES WEEKEND APRIL 26/APRIL 27 1997 ★

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapEm	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	—	[illegible]	£20¾	[illegible]	3.0	ϕ
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	1,377	2.2	14.1
Gold Flds Prop R	†	[illegible]	[illegible]	171½	120	13.7	6.7	10.0
SA Brews		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.9	ϕ
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	3,215	1.4	[illegible]
Tiger Oats		1060	−10	1150	770	1,884	1.7	20.8
Tongaat-Hulett		759¼	−1½	1125	676¼	713.6	2.4	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates ... annualised dividend yield, p/e based on previous year's earnings. z Dividend yield excludes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. ... prospectus or other official estimates for 1997-98. ‖ Dividend is paid in whole or part as a ...

FID Foreign Income Dividend. ‖ Forecast annualised yield, p/e based on ... xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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4 pm close April 27

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P -

- Q -

- R -

- S -

Continued on next page

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 21 / Sch)

BELGIUM/LUXEMBOURG (Apr 21 / Frs.)

CZECH REP (Apr 21 / Koruna)

DENMARK (Apr 21 / Kr)

FINLAND (Apr 21 / Mka)

FRANCE (Apr 21 / Frs.)

GERMANY (Apr 21 / Dm.)

GREECE (Apr 21 / Drachma)

ITALY (Apr 21 / Lira)

NETHERLANDS (Apr 21 / Fls.)

NORWAY (Apr 21 / Kroner)

POLAND (Apr 21 / Zloty)

PORTUGAL (Apr 21 / Escudo)

SPAIN (Apr 21 / Pts.)

SWEDEN (Apr 21 / Kronor)

SWITZERLAND (Apr 21 / Frs.)

TURKEY (Apr 17 / TL1,000)

PACIFIC

JAPAN (Apr 21 / Yen)

AUSTRALIA (Apr 21 / Aust$)

HONG KONG (Apr 21 / H.K.$)

INDONESIA (Apr 21 / Rupiah)

MALAYSIA (Apr 21 / MYR)

NEW ZEALAND (Apr 21 / NZ $)

SINGAPORE (Apr 21 / S$)

SOUTH KOREA (Apr 21 / Won)

TAIWAN (Apr 21 / TW $)

THAILAND (Apr 21 / Baht)

MONTREAL (Apr 21 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Apr 21 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 21 / Can $)
4 pm close

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Apr 21	Apr 18	Apr 17	1997 High		1997 Low	
Indonesia Jakarta Comp.(10/8/82)	642.26	(c)	637.58	712.09	26/2	631.27	15/4
Ireland ISEQ Overall(4/1/88)	3010.01	3019.34	3025.17	3059.83	11/3	2725.07	2/1
Italy Banca Comm Ita(1972)	770.68	770.18	775.67	797.71	10/2	642.66	2/1
MIB General(2/1/87)	1159.0	1158.0	1166.0	1197.00	10/2	991.00	2/1
Japan Nikkei 225(16/5/49)	18480.55	18352.14	18093.4	19446.00	6/1	17303.65	10/1
Nikkei 300(1/10/82)	272.12	268.68	265.01	282.45	8/1	251.04	27/1
Turkey IMKB Nat 100(1986)	(c)	(c)	1532.00	1654.08	21/3	995.89	2/1
WORLD MS Capital Intl(1/1/70)	(c)	818.5*	813.2	854.40	25/2	794.80	14/4
CROSS-BORDER Eurotrack 100(26/10/90)	2185.17	2187.55	2193.87	2221.83	11/3	1883.80	2/1
Euro Top-100(26/6/90)	1855.57	1854.14	1866.52	1894.47	11/3	1582.99	2/1
HSBC JC Drgn(31/12/88)	(c)	367.11	367.34	429.46	20/1	363.78	15/4
ING Bngs Emrg(7/1/92)	(c)	172.50	173.25	181.33	26/2	159.74	3/1

US INDICES

■ RATIOS

	Apr 18	Apr 11	Apr 4	Year ago
Dow Jones Ind. Div. Yield	1.82	1.84	1.97	2.17
	Apr 16	Apr 9	Apr 2	Year ago
S & P Ind. Div. yield	1.82	1.83	1.86	1.90
S & P Ind. P/E ratio	21.85	21.72	21.48	21.13

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Ph Morris	16,192,800	44¾	+2⅝
Silicon Gph	10,003,400	12⅝	-4⅞
Nike	6,115,800	52⅛	-1⅞
Micron Tech	5,424,800	36	-1¼
EMC	5,036,000	34⅝	-4⅝
AT &T	4,627,200	33¾	—
Chrysler	4,424,800	30⅛	+⅛
Exxon	4,182,700	53⅞	+2
Columbia HCA	4,175,400	35⅝	-⅛
Port Tiles	4,099,100	36⅝	+¼

■ TRADING ACTIVITY

● Volume (million)

	Apr 18	Apr 17	Apr 16
New York SE	472.327	505.070	488.506
Amex	16.918	18.490	18.553
NASDAQ	586.280	611.932	586.672
NYSE			
Issues Traded	3,277	3,287	3,304
Rises	1,505	1,300	1,405
Falls	928	1,195	1,041
Unchanged	844	792	858
New Highs	38	40	41
New Lows	38	55	78

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	770.25	770.50	+0.25	771.00	769.00	62,805	182,075
Sep	777.70	777.25	-0.80	777.70	777.25	141	5,460

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Jun	18450.0	18580.0	+180.0	18580.0	18390.0	18,387	224,879

Open interest figures for previous day.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (500 x index)							
Apr	2516.0	2522.0	-22.0	2532.0	2507.0	12,860	24,119
May	2500.0	2508.5	-22.0	2512.0	2496.5	507	5,299
■ DAX							
Jun	3330.0	3338.0	-34.0	3359.0	3308.0	17,941	-
Sep	3344.5	3363.0	-26.0	3382.0	3335.0	416	-
■ OMX							
Apr	2083.00	2060.00	-23.00	2097.00	2059.00	5,810	15,560
May	2070.00	2051.50	-23.00	2087.00	2050.25	3,747	7,488
■ SOFFEX							
May	4663.0	4716.0	+35.0	4739.0	4658.0	4,917	22,377
Jun	4686.0	4701.0	+125.0	4686.0	4686.0	6	837

Base values of all indices are 100 except: Australia All Ord and ... Taiwan Weighted Price ... Korea Comp Ex 700.65 ... Toronto Comp./Metals & Minerals and DAX – all 1,000. JSE Gold – 255.7 JSE 20 Industrials – 264.3. IMKB Nat 100 – 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp – 300. ‡ IBIS/DAX after-hours index: Apr 21 – 3328.41 -32.79. (c) Closed. (u) Unavailable. 1 Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, April 21, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	10.7m	365	+7
Showa Denko	7.3m	306	+12
Mitsubishi Hvy	6.0m	845	+35
Mitsubishi Chem	5.9m	423	+13
Sumitomo Mtl Ind	5.6m	304	+6
Fuji Bank	4.8m	1500	+20
NKK Corp	4.7m	268	+10
Sumitomo Bank	4.6m	1490	+30
Sakura Bank	4.6m	705	+15
Mitsui Min & Sml	4.5m	505	+3

Volume low, Dow pauses for breath

AMERICAS

US equities paused for breath after the excaptional volatility of the last month, *urites John Authers in New York.*

in spite a heavy flow of corporate results, leading indices were barely changed at midsession, in very low volume of 192.3m shares.

With no significant economic data to push the market, strategists were left to ponder whether last week'a impressive rally was a technical "bounce" of the type often seen at the onset of a bear market, or whether it was based in improved fundamentals.

By midsession, the Dow Jones Industrial Average was up 0.81 for the morning at 6,704.36.

It had heen down hy 10 points earlier in the day.

The technology-dominated Nasdaq composite index slipped 3.28 to 1,219.29 while the more broadly traded Standard & Poor's 500 was barely changed, down 0.38 at 765.96.

Mr Laszlo Birinyi, president of Birinyi Associates, a leading technical market analyst, suggested that the low volume was due to a reassessment by investors, who might now believe that the market had been oversold at the end of March.

"If there's a lack of demand it'a because peopla are waiting and trying to figure out whether this was just a bounce or whether it was more than that. If one revisits last July when there was a 7 or 8 per cent correction, the market really didn't have any sort of bounce."

The Dow's weakest performer was Philip Morris, the tobacco and consumer gooda company, whose shares rallied last week on speculation that the tobacco industry was close to an out of court settlement with its critics from the bealth lobby. It shed $1¾ to $43, as investors began to speculate on how easily the company could meet the costs of any pay-out.

Gould Pumps, which announced it was to be acquired by ITT Industries, was the most spectacular gainer of the morning, up $13¼, or 57 per cent, to $36½.

TORONTO opened higher on the back of a firmer Canadian dollar but trading was alwaya narrow and at the close of the morning session the market was sitting on marginal losses.

The noon calculation put the 300 composite index at 5,823.80, down 2.47.

Bank raises weightings

Merrill Lyncb raised its weightings for Colombia and Peru. Colombia's good return in dollar terms this year suggested that market confidence had returned in the wake of the president's alleged ties to the drug cartels, Merrill said, adding that US purchases, potentially, could return to levels last seen in 1993-94.

The US investment bank also noted tbat investors' attention bad returned to Peru's fundamentals, rather than events at the Japanese embassy. It expected Lima to benefit from capital flowing into the region. "While we may want to temper our entbusiasm because of the market's smaller size, it is our top global market selection on a year ahead view," Merrill added.

MEXICO CITY edged lower at midsession as blue chips were held back by worries over their first-quarter earnings, due to be reported shortly. The IPC index lost 12.91 to 3,775.52.

SANTIAGO lost ground on worries that drought could lead to electricity rationing. The IPSA index eased 0.29 to 117.13.

Paris bearish again as Chirac calls election

EUROPE

The political worries that had dogged **PARIS** since last week found a homing beacon yesterday wben Mr Jacques Chirac, the French president, announced he was dissolving the National Assembly and called an early parliamentary election for May 25 and June 1.

Bonds and the franc had lost ground on election rumours earlier in the day and money markets rates had jerked npwards. Equities slipped, hut ended well off the bottom.

Mr James Cornish at NatWest Securities said: "Chirac is taking a gamble. The broad view is that he will succeed, but the ride is likely to to be bumpy until matters have been settled."

It was a thin day for volume with less than 8m sharea changing handa against closer to 14m on Friday. The CAC 40 fell 24.89 at 2,522.67.

Thomson-CSF retreated FFr5.10 to FFr178.60 amid talk that the sales of the government's stake in the company might be delayed or even cancelled by an election. Alcatel-Alsthom, which is bidding for CSF, fell FFr24 or 3.5 per cent to FFr660.

FRANKFURT fell with the downtrend in the dollar and bunds, but a slide in turnover from DM12bn to DM9.3bn suggested a lack of conviction as the Dax index closed 32.79 down at an Ibis-indicated 3,328.41.

Among dollar stocks, carmakers stayed in the front line for profit-taking, Daimler losing DM3.45 or 2.65 per cent at DM126.95 and Volkswagen DM17.50 at DM1,055. In insurers, interest rate-sensitive, Allianz sbed DM60.50 at DM3,181.50 and Munich Re DM68 at DM3,936.

Lufthansa fell 47 pfg to DM22.03 although the airline said towards the end of trading that it had had a good first quarter; SAP, with a quarterly due today, climbed DM5.80 to DM291.10, inspired by results from Microsoft, tbe US software leader, towards the end of last week.

The US influence was not so sweet for Adidas, down DM5 at DM173, or Puma, DM3.30 or 5.5 per cent lower at DM56.70. The German sportswear groups, said analysts, had been under pressure since earlier this month on news that their US rival, Nike, planned to cut production capacity.

AMSTERDAM reported selling at Philips in advance of the electronic giant's first-quarter numbers tomorrow, and the shares eased 10 cents to Fl 90.80 in 1.8m traded. PolyGram, its entertainment aubsidiary which reports on the same day, added 30 cents to Fl 95.90.

Unilever gained Fl 2.30 to Fl 365.20 following widespread press reports that ICI of the UK and Akzo Nobel and DuPont of the US were among the bidders for its specialty chemicals operations.

Akzo Nobel was the day's worst performer, slipping Fl 1.70 or 1.3 per cent to Fl 131.

ZURICH was driven higher by strong gains in some blue chips, although overall activity was muted by a half-day public holiday. The SMI index rose 41.00 to 4,740.10.

Roche rebounded SFr395 to SFr11,900 on the view thet last week's 6.1 per cent tumble on disappointing sales figures had been overdone.

The shares were alao helped by rumours that the US authorities had given the go-ahead for the use of one of its drugs in treatment.

Swiss Re rose SFr35 to SFr1,587 as it confirmed reports that it was considering spinning off its Alternative Risk Transfer catastrophe insurance activities into an independent company.

ABB was SFr39 higher at SFr1,748 ahead of first-quarter results due today.

MADRID chalked up its third successive all-time high, the general index trading on corporate news, and on optimism ahead of first-quarter results to close 3.20 better at 494.36.

Banco Central Hispano put news, hope and a favourable chart together to lead the market, Pta130 or 3.2 per cent higher at Pta4,150; over the weekend BCH brought Renfe, the Spanish railways operator, into a consortium to buy Retevision, the Spanish second basic telephone operator; the bank's first-quarter figures are due on Thursday.

Repsol rose Pta70 to Pta6,370 as the government's privatisation offer entered its final week; and Telefónica rose another Pta50 at Pta3,645 on the plaudits for last week's deal with BT of the UK, and MCI of the US.

MILAN edged ahead on short-covering ahead of preliminary inflation figures that investors had hoped would trigger an early cut in interest rates. The Comit index rose 0.50 to 770.68.

Olivetti, lower last week on its capital reconstruction plans, rebounded L15.8 to L516.

Seat, the yellow pages publisher, dropped L18.9 to L524 on suggestions that it might come under pressure to cut its charges.

Nordic blue chips had a big day. In **STOCKHOLM**, Astra was blamed for a 16.51 fall to 2,634.85 in the genoral index, its A falling SKr22 or 6.4 per cent on first-quarter profits of SKr3.5bn; the expected range was SKr3.5bn to SKr4.2bn said Mr Mark Tracey, pbarmaceuticals analyst at Goldman Sachs.

OSLO saw higher than expected profits at Norsk Hydro, and the market leader leapt NKr23 or 6.9 per cent to NKr355, taking the total index up 14.17 to 1,089.26. **COPENHAGEN** fielded a profits warning from Tele Danmark, which fell DKr224 to DKr326 as the KFX index closed unchanged at 153.46.

BUDAPEST, strongly tipped by some analysts as a winner among European emerging markets this year, jumped 3.5 per cent to an all time high, still supported by slowing inflation and expectations of good first-quarter corporate results, due early next month. The Bux index added 198.26 at 5,902.04.

TEL AVIV, closed yesterday and today for the Passover holiday, saw the Mishtanim index down 1.59 at 247.68 on Sunday. However, analysts noted that this was before news that Mr Benjamin Netanyahu, prime minister, would not face charges of alleged fraud and breach of trust over the appointment of a political ally.

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Apr 21 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2181.06	2183.65	2184.60	2187.32	2188.25	2187.27	2187.01	2185.17
FTSE Eurotrack 200	2208.13	2208.08	2210.17	2210.91	2211.27	2212.55	2214.53	2212.87

	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14
FTSE Eurotrack 100	2187.55	2193.67	2179.74	2172.03	2145.23
FTSE Eurotrack 200	2208.06	2213.84	2201.84	2200.35	2169.78

Base value 1000 (26/10/90): Highday: 100 - 2188.78; 200 - 2214.85 Lowday: 100 - 2181.06 200 - 2205.45 † Partial

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Shanghai B shares rocket to three-year high

ASIA PACIFIC

Institutional demand for blue chips pushed **SHANGHAI**'s hard currency B index up 3.6 per cent to its highest level since January 20, 1994. However, prices were pulled off their best levels late in the day on profit-taking by retail investors.

The B index surged 3.013 to 87.530 in turnover of $69.4m.

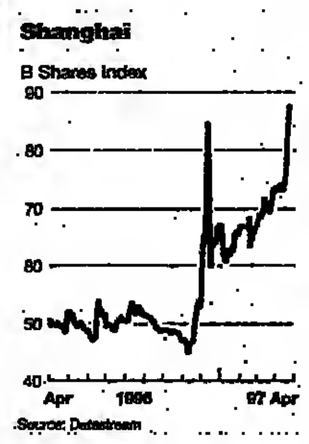
One broker said, however, that technical analyses suggested the market was overbought after the sharp run-up during recent sessions and that a correction was becoming necessary.

SHENZHEN's B index picked up to close at a third consecutive high for the year as demand for large capitalisation stocks overwhelmed profit-taking. The index rose 0.69 to 181.79 in turnover of HK$368.4.

TOKYO advanced for a fifth consecutive session on bullish sentiment carried over from last week's gains, *writes Gwen Robinson.*

The Nikkel 225 average rose 199.52 to 18,551.66 after moving between 18,399.54 and 18,560.66. Domestic institutional investors continued robust buying, helping the 225 index to a five-day gain of 4.9 per cent.

Traders noted a continuing shift in buying interest towards laggard sectors, including chemicals and financial stocks. The recent gains were partly due to large-lot buying by pension funds, on fresh asset allocation plans by fund managers for the business year that began on April 1.



Source: Datastream

Volume eased from 565m shares to an estimated 451m. Advances outstripped declines by 942 to 206 with 95 unchanged.

The Topix index of all first-section stocks rose 18.04 to 1,404.70, the capital-weighted Nikkei 300 by 3.44 at 272.12 and, in London, the ISE/Nikkei 50 index rose 1.79 to 1,483.58.

Chemicals featured prominently among issnes that reached new highs for the year. Mitsnbishi Chemical added Y13 to Y423, Showa Denko Y12 to Y306 and Asahi Chemical Industry Y28 to Y699. Pharmaceuticals, however, fared poorly after gaining in recent sessions. Takeda Chemical fell Y20 to Y2,770 and Dainippon Pharmaceutical declined Y10 to Y787.

Banks were heavily bought, Bank of Tokyo-Mitsnbishi adding Y40 to Y2,010 and Sumitomo Bank Y30 to Y1,490. Among the largest banks, Nippon Credit Bank was the only loser, shedding Y2 to Y243.

Some brokers gained, Daiwa Securities adding Y23 to Y808 and Nikko Securities Y29 to Y671. Nomura Securities remained unchanged at Y1,300 following Monday'a appearance before parliament by the former president to answer qnestions on the company's illegal trading activities.

Blue-chip electricals were mixed. Sony added Y100 to Y8,950 and TDK Y200 to Y8,880, while NEC fell Y10 to Y1,490 and Oki Electric Industry was down Y4 at Y606.

In Osaka, the OSE average added 245.42 to 19,530.39 and volume swelled to 20.8m shares.

KUALA LUMPUR rebounded 2.1 per cent as local funds resumed purchases of large capitalisation stocks on the view that the market had probably hit rock-bottom. The composite index rose 23.02 at 1,127.60, while the second board index of small cap shares jumped 2.7 per cent on selective bargain hunting by retail investors.

Telekom, the telecommunications group, and Tenaga Nasional, the power company, each rose 40 cents, to M$12 and M$17.90 respectively.

BOMBAY staged a 2.8 per cent rally as the appointment of Mr I.K. Gujral as prime minister defused the three-week-old political crisis and opened the way for the passage of a market-friendly budget. The BSE-30 index rose 103.27 at 3,799.79.

Shares of Reliance, India's largest private company, jumped Rs27.75 to Rs307.75 ahead of annual resnlts, expected today. Most forecasts auggested lower profits.

However, analysts said that the market was already discounting the results and was instead looking ahead to the company's massive expansion plans.

TAIPEI rallied on a technical rebound after declining for five straight sessions. The weighted index rose 119.62 or 1.4 per cent to 8,421.87. Turnover, still active, eased back to T$99.4bn.

Construction led the sector performance charts, rising 4.1 per cent on a press report that the Finance Ministry might relax rules on bank investment in property. Hung Fu Constructiona surged T$3 to T$46.30.

BANGKOK suffered from weak first-quarter results from the financial sector and moved lower. The SET index ended off 6.02 or 0.9 per cent at 694.21.

Brokers said that most results statements were in line with forecasts but that, equally, they reflected slow economic growth and the trend to increased provisions.

SYDNEY closed off highs with banks and golds underpinning the broad market. The All Ordinaries index added 3.4 to 2,445.8 after touching a best of session 2,454.5.

Brokers said some of the smaller gold groups were in demand. There was heavy action in the Carpenter Pacific options while Golden Valley shares rose strongly.

Golden Valley surged 17 cents to A$6.00.

South Africa moves higher

Johannesburg moved higher in quiet trading with the all-share index finiahing 17.8 better at 7,040.0.

Industrials continued to improve, but the main boost to sentiment came from golds after a rally for the bullion price. Industrials gained 22.5 to 8,333.8 and golds put on 9.9 to 1,257.8.

Vaal Reefs led golds higher with a rise of R1.25 to R277.50. De Beers was one of tha day's heavier casualties, dipping R1.25 to R158.75. Anglo American put on 50 cents to R281.75.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1997	Start of 1997	Start of 1997
Austria	+2.24	-0.89	+11.20	+5.84	-0.37	-5.02
Belgium	+2.49	+4.05	+28.35	+15.27	+8.50	+3.43
Denmark	-0.26	-0.43	+34.54	+11.77	+5.75	+0.82
Finland	+0.46	-0.54	+48.75	+13.18	+5.65	+0.72
France	-0.95	-1.14	+23.05	+10.31	+4.08	-0.78
Germany	-0.17	+1.35	+30.68	+15.64	+8.93	+3.85
Ireland	+1.74	+4.23	+22.68	+10.52	+6.06	+1.11
Italy	+1.08	+4.32	+24.09	+17.31	+10.38	+5.29
Netherlands	+2.43	+2.17	+36.41	+14.04	+7.25	+2.25
Norway	+1.39	+2.03	+30.33	+10.34	+4.33	-0.53
Spain	+3.82	+5.69	+44.59	+11.42	+5.09	+0.19
Sweden	+0.77	-0.21	+42.08	+12.24	+4.78	-0.11
Switzerland	+1.89	+4.20	+28.64	+18.83	+14.61	+9.26
UK	+0.73	+0.86	+10.83	+3.82	+3.82	-1.02
EUROPE	+0.84	+1.47	+22.95	+10.26	+6.34	+1.38
Australia	+2.74	+2.81	+10.04	+1.88	+4.20	-0.66
Hong Kong	-0.11	-0.70	+5.42	-10.81	-6.41	-10.77
Indonesia	+1.12	-0.47	n.a.	+1.70	+4.55	-0.32
Japan	+3.54	-0.27	-15.15	-5.05	-8.23	-12.50
Malaysia	-3.11	-10.73	-3.72	-9.95	-5.05	-9.48
New Zealand	+1.60	+1.21	+2.35	-5.15	-2.63	-7.18
Philippines	-0.55	-7.86	n.a.	-11.70	-7.62	-11.93
Singapore	-1.13	-0.69	-12.10	-6.13	-4.41	-8.87
Thailand	-1.93	+4.95	-53.39	-12.11	-9.33	-13.56
Canada	+3.17	-3.49	+17.64	-1.28	+1.50	-3.23
USA	+3.85	-2.38	+18.39	+2.98	+8.00	+2.96
Brazil	-1.36	-0.34	+65.57	+27.46	+30.85	+24.75
Mexico	+0.78	+0.06	+11.37	+12.01	+17.48	+12.00
South Africa	-0.45	-0.90	+0.43	+6.33	+17.22	+11.75
WORLD INDEX	+2.62	-0.96	+10.93	+2.92	+4.11	-0.75

† Based on April 18th 1997.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	FRIDAY APRIL 18 1997								THURSDAY APRIL 17 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	220.43	1.5	200.33	175.53	196.67	189.30	1.3	4.01	217.24	197.72	172.98	194.90	186.81	225.77	188.44	202.87
Austria (24)	180.38	1.5	163.93	143.64	160.94	160.88	0.9	1.96	177.75	161.78	141.54	159.48	159.42	195.04	174.70	184.25
Belgium (26)	235.51	1.6	214.04	187.54	210.13	205.60	1.0	3.48	231.83	211.00	184.60	207.99	203.48	241.54	205.89	209.20
Brazil (30)	236.61	-0.2	215.04	188.42	211.11	462.40	-0.1	1.11	237.08	215.76	188.76	212.76	462.97	247.23	153.40	153.40
Canada (114)	183.70	-0.1	166.95	146.28	163.91	186.02	-0.1	2.09	183.80	167.38	146.44	164.99	186.11	203.31	154.12	160.48
Denmark (32)	354.85	1.1	322.49	282.57	318.60	315.62	0.8	1.60	350.98	319.46	279.48	314.90	313.85	376.88	291.89	295.54
Finland (28)	247.42	1.1	224.88	197.02	220.76	266.86	0.8	1.70	244.81	222.82	194.94	219.64	266.77	266.58	180.89	181.24
France (91)	212.40	-1.9	193.03	169.13	189.50	192.57	-2.3	2.98	216.46	197.02	172.36	194.20	197.20	226.25	186.94	184.53
Germany (59)	197.30	-0.5	179.31	157.11	176.03	176.03	-1.1	1.60	198.31	180.49	157.91	177.92	177.92	207.65	164.47	171.34
Hong Kong (66)	452.42	0.3	411.17	360.26	403.66	450.09	0.3	3.37	451.18	410.65	359.27	404.79	449.90	514.49	407.55	429.93
Indonesia (27)	227.45	0.0	206.71	181.12	202.94	336.35	0.0	1.63	227.40	206.97	181.08	204.02	336.35	–	–	–
Ireland (16)	332.50	0.3	302.18	264.77	296.67	302.56	0.0	3.15	331.34	301.57	263.84	297.27	302.53	343.35	270.08	273.10
Italy (59)	87.86	-0.7	79.85	69.96	78.39	111.22	-1.0	2.18	88.45	80.50	70.43	79.35	112.37	96.32	73.26	76.32
Japan (485)	112.93	1.4	102.63	89.92	100.76	89.92	1.5	0.87	111.31	101.31	88.63	99.86	88.63	164.68	107.57	155.99
Malaysia (107)	546.04	0.1	496.25	434.81	487.19	528.37	0.0	1.21	545.56	496.55	434.41	489.46	528.37	660.85	512.47	570.30
Mexico (27)	1366.18	-0.1	1241.63	1087.90	1218.96	11759.36	-0.3	1.17	1367.88	1244.94	1089.18	1227.17	11791.39	1446.68	1110.35	1297.97
Netherland (19)	343.70	0.9	312.36	273.69	306.66	302.65	0.4	2.59	340.57	309.97	271.18	305.55	301.46	357.18	279.88	287.51
New Zealand (14)	86.18	0.8	77.42	67.83	76.00	65.42	0.5	4.34	84.52	76.92	97.30	75.82	65.09	95.60	75.94	82.47
Norway (41)	293.96	0.6	267.17	234.09	262.29	282.84	0.5	2.16	292.29	266.03	232.74	262.24	281.18	321.23	243.72	245.05
Philippines (22)	179.33	0.9	162.98	142.80	160.01	235.67	0.9	0.76	177.75	161.76	141.54	159.47	233.50	–	–	–
Singapore (43)	382.51	0.1	347.72	304.67	341.37	254.04	0.0	1.11	382.42	348.06	304.51	343.10	254.04	448.01	371.28	445.27
South Africa (44)	355.65	0.7	323.40	283.36	317.50	346.15	0.6	2.43	353.25	321.51	281.28	316.92	344.12	381.77	301.49	371.08
Spain (35)	220.22	0.8	200.14	175.36	196.49	241.32	0.2	2.71	218.53	198.90	174.01	196.06	240.86	228.18	171.91	174.89
Sweden (49)	421.43	0.0	383.01	335.59	376.01	478.68	-0.8	2.18	421.39	383.53	335.54	378.06	481.55	448.64	334.35	337.89
Switzerland (36)	260.65	1.4	236.88	207.55	232.56	236.00	0.7	1.39	257.04	233.94	204.67	230.60	234.41	262.41	229.36	240.79
Thailand (43)	82.81	-1.1	75.26	65.94	73.98	83.79	-1.2	3.73	83.77	76.25	66.71	75.15	84.76	184.18	73.99	183.06
United Kingdom (211)	280.29	0.4	254.72	223.19	250.07	254.72	0.2	3.86	276.28	254.19	222.36	250.56	254.19	285.30	228.85	233.71
USA (653)	310.76	0.5	282.43	247.46	277.27	310.76	0.5	1.95	309.10	281.33	246.13	277.32	309.10	331.54	254.79	262.48
Americas (824)	284.31	0.5	258.39	226.40	253.67	239.51	0.5	1.93	282.92	257.50	225.28	253.82	238.34	303.45	233.09	238.98
Europe (726)	242.96	0.1	220.81	193.47	216.76	225.44	-0.3	2.80	242.65	220.85	193.22	217.70	226.04	248.97	204.71	208.21
Nordic (150)	363.15	0.4	330.04	289.18	324.02	357.41	-0.1	2.02	361.76	329.25	288.06	324.56	357.77	385.85	290.66	290.66
Pacific Basin (883)	131.95	1.2	119.92	105.07	117.73	103.47	1.2	1.40	130.37	118.69	103.81	118.97	102.25	177.01	127.18	169.25
Euro-Pacific (1609)	17[illegible]	[illegible]	[illegible]	141.82	159.02	149.52	0.4	2.19	177.17	161.25	141.08	158.95	148.97	181.51	173.55	185.38
North America (767)	[illegible]	[illegible]	[illegible]	241.24	270.31	302.51	0.5	1.95	301.43	274.34	240.02	270.43	300.97	323.69	248.65	256.14
Europe Ex. UK (515)	[illegible]	[illegible]	[illegible]	[illegible]3.27	194.14	204.58	-0.5	2.19	217.80	198.05	173.27	195.23	205.68	224.70	165.65	189.37
Pacific Ex. Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible].39	260.38	254.42	0.5	2.91	290.26	264.20	231.14	260.43	253.23	320.65	268.97	292.35
World Ex. US (1[illegible]	[illegible]	[illegible]	[illegible]	[illegible]57	181.99	155.32	0.3	2.17	180.56	164.34	143.77	161.99	154.80	193.47	176.94	199.82
World Ex. UK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	193.78	194.35	0.5	1.88	215.94	196.54	171.95	193.74	193.47	228.58	199.58	207.45
World Ex. Ja[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	248.52	269.34	0.2	2.29	277.49	252.56	220.96	248.96	266.69	292.72	233.10	239.80
The World [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	198.55	199.83	0.4	2.07	221.32	201.44	176.23	198.56	198.97	239.39	202.32	209.79

Latest pr[illegible] [illegible]sia, Malaysia, Singapore. PLEASE NOTE: Philippines market closed 21/4/97 due to technical problems at the exchange.
CONST[illegible] [illegible]Suncor Energy (Canada), State Street Boston Corp. to State Street Corp (USA) and TRINOVA Corp. to Aeroquip-Vickers (USA).
CONST[illegible] [illegible]mall Cap (Germany). Deletion: Rheinelektra (Germany).

[illegible]touch -
[illegible]plimentary copy of the
FINANCIAL TIMES

4 pm close April 21

NYSE PRICES

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
39¼	35½	SFePPipe	3.00	8.2	9	120	37¼	36½	36⅝	-¼
43¾	36⅝	SaraLee	0.84	2.1	20	9748	40½	40	40⅜	+⅛
58¾	48⅞	SBC Cm x	1.79	3.5	14	4805	51¼	50¼	50¾	-⅛
26⅞	23⅞	Scana Corp	1.51	0.1	12	1000	25	24½	24⅝	-⅛
8	7⅜	SchawkA	0.26	3.2	30	15	8⅛	9	9	+⅛
52	48	SchererRP			32	835	48½	d46¾	46⅞	-1¾
82	63½	SchrPl	1.32	1.8	21	3771	75⅜	73⅞	74¾	-½
116⅝	98	Schlmb	1.50	1.4	28	7447	109½	107¼	107⅞	+½
12⅞	9¼	Schltr	0.12	1.2	17	228	9⅞	d9¾	9¾	-⅛
42	30⅞	SchwabC	0.20	0.7	21	5319	32	d30¼	30⅞	-1¾
35⅝	29⅞	SchwMaud	0.60	1.9	13	211	31⅞	31¾	31¾	-⅛
19⅜	14¼	SciAtl	0.06	0.4	55	578	15	14⅞	14⅞	-⅛
29⅝	23	Scotman	0.18	0.4	14	15	29¼	29⅛	29⅛	-¼
13¾	12⅞	ScudderNAsF	0.03	0.2		578	12½	d12⅜	12½	
15⅜	13⅞	ScudderNEuF	0.08	0.4		503	15¼	15	15¼	+¼
15¾	15¼	SeaCnA	0.77	4.5	14	217	17⅛	16¾	17	-¼
16⅝	15⅛	SeaCT.4625	1.48	9.4		20	15⅝	15⅝	15⅝	
58¼	37⅛	S'gate			14	29181	44¾	42⅝	43	-1⅜
42¾	35¾	Seagram	0.66	1.8		1925	38	36⅞	36¾	-1
24⅛	16⅛	Seagull En			27	2045	17⅞	16½	16½	-¼
48	39¾	Sealed Air			25	172	45⅝	44⅛	44¾	-1⅛
56¾	44⅞	SearsR	0.92	1.9	14	18130	48½	46⅞	47¼	-1
25	21	SeCpS8¼	1.30	5.6	19	158	23¼	23⅛	23¼	
12⅞	12⅜	Seligm Sel x	0.84	6.9		88	12½	d12¼	12¼	-¼
18	14½	Sensormat	0.22	1.4		1085	16	15⅝	15⅝	-¼
49⅞	36¼	Sequa	0.60	1.3	48	47	46⅝	46½	46⅞	-⅛
[illegible]										

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58¾	40⅝	Tandy								
[illegible]										

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
55	38¾	York Int	0.48	1.2	11	2532	38⅝	d37¾	38⅝	-⅛
5	4	Zapata				107	4¼	4⅛	4⅛	-⅛
13⅛	9¼	ZeroB				856	12	11½	11⅝	-⅛
27⅞	25½	Zenith Nat	1.00	3.9	12	84	25⅞	d25¼	25⅜	-⅛
7½	7⅜	Zenix Inc 4	0.73	10.1		189	7¼	d7⅛	7¼	
23¾	17¾	Zero	0.12	0.8	14	74	19⅝	19	19	-¼
11½	10¾	ZweigF6⅞ x	1.16	10.5		148	11½	11	11	
9⅝	9	Zweig Tot x	0.84	9.9		475	8½	8⅜	8½	+⅛

Price data supplied by Telekurs, part of FT Interactive.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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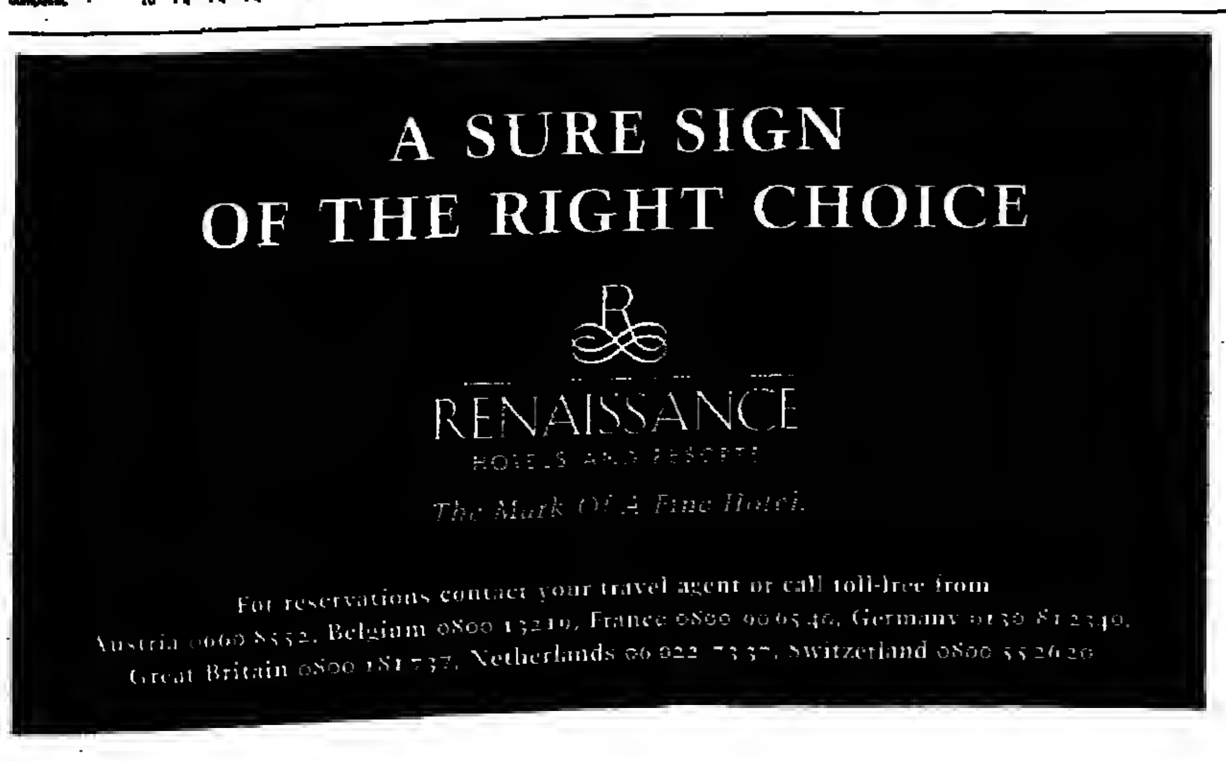
AMEX PRICES

4 pm close April 21

[illegible]



NASDAQ NATIONAL MARKET

4 pm close April 21

- A - B - C - D - E - F - G - H - I - J -

[illegible]

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	103	107	12	10⅞	11⅛	-½
Kaman Cp	0.44	22	523	12⅝	12¼	12⅜	-¼
Kelly Sv	0.84	12	530	24⅞	24	24$\frac{3}{16}$	-$\frac{7}{16}$
Kimball	1.04	13	117	35½	d35¼	35½	+¼
KLA Instr		20	15269	41½	39⅝	39⅝	-2⅛
Koll A			117	$\frac{3}{16}$	d⅛	$\frac{5}{32}$	+$\frac{1}{32}$
Komag♣		17	14668	28⅛	26¾	27⅜	-1⅛
Kulicke S			3553	25¾	24¾	25	-⅝

- L - M - N - O - P - Q -

[illegible]

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow♣		11	476	15¾	d13¾	14⅜	-⅞
Rallys			379	3$\frac{1}{16}$	2$\frac{15}{16}$	2$\frac{15}{16}$	-$\frac{1}{16}$
Raymond	0.26	14	1771	29¼	28⅝	29	+⅜
RCSB Fin x	0.60	16	104	30¼	29$\frac{13}{16}$	29⅞	-⅜
Read-Rite			11618	29⅛	28	28¾	-⅝

- S - T - U - V - W -

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx♣		26	18232	48½	47⅛	47⅜	-½
Xircom		14	8922	10½	10	10	-$\frac{1}{16}$
Xoma Corp			3208	5$\frac{7}{16}$	4⅞	4$\frac{15}{16}$	+$\frac{1}{16}$
Yellow			1965	20⅝	19⅞	20¼	-⅜
York Rsch		14	173	7½	d7⅛	7⅛	-⅜
ZionsUtah x	1.76	16	97	118¼	115⅞	117	-¾

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.5		6	8.25	7.375	[illegible]				12.5	9.75
Artwork Systems	US$10.5		5000	11.375	10.25	[illegible]				12.625	10.5
Chemunex	FFr16.5		320000	19	19	[illegible]				11.375	9
Dr Solomon's ADS	US$24.75		6	26	20.875	[illegible]				[illegible]	4.125

Prices for 21/4/97. Please note that mid prices are now used to [illegible]

Information about EASDAQ can be found on the Web site at: [illegible]
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 [illegible]

Italian inflation at lowest level for 28 years

By Robert Graham in Rome

Italy's headline inflation fell below 2 per cent in April, its lowest level since 1969, prompting expectations of an interest rate cut by the Bank of Italy.

Mr Antonio Fazio, the central bank governor, is under strong pressure to ease his tight monetary policy both to help the stagnant economy and reduce the cost of servicing Italy's huge mountain of debt.

Lowering the cost of the latter would help the government demonstrate to an increasingly sceptical audience in Brussels that it can cut the 1997 budget deficit to the target of 3 per cent of gross domestic product.

Preliminary figures, released over the past two days, for consumer prices in the country's big cities showed a rise in April of 0.2 per cent. When official figures from Istat, the state statistics institute, come out early next month, year-on-year inflation is likely to be running at 1.7 per cent against 4.4 per cent at this time last year.

Economists attribute the historically sharp drop in inflation to a combination of depressed domestic demand, the high cost of credit with a stronger lira, and a favourable trend in international commodity prices. During the first quarter, industrial production remained stagnant against weak levels at the end of last year.

The prospects for a recovery beginning before the summer are still uncertain, according to Confindustria, the industrialists' confederation. The government itself has been obliged to downgrade its 1997 growth forecast to 1.2 per cent from 2 per cent. Within Confindustria and among the trade unions there is concern that even this low forecast could be optimistic if the Bank of Italy decides against relaxing its monetary policy.

Since the centre-left government took office last May, the central bank has cut its benchmark discount rate three times. It now stands at 6.75 per cent, and real short-term rates are 5 per cent, much higher than in any other large European Union economy.

Industrialists have been pressing the bank to relax its monetary policy which they now feel risks prolonging recovery. The government's budgetary problems would also be considerably relieved by such a move since every one percentage point cut in interest rates reduces the burden of debt service by some L15,000bn ($8.8bn) over 18 months. This is roughly half the amount the government will have to find next year to ensure the 1998 budget deficit is held at 3 per cent.

But Mr Fazio has proven extremely prudent in his rate adjustments, usually holding out much longer than expected. The central bank is reportedly not impressed by the government's corrective mini-budget and is also anxious to see whether the political parties lack the will to agree on structural cuts in pension and welfare reform.

Added to this, the decision of France to go for a snap poll in May has injected an element of uncertainty into the financial markets that commentators believe will unsettle the lira until the outcome is known.

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Netherlands central bank chief in policy clash with prime minister

Duisenberg blasts plans to cut tax

By Gordon Cramb in The Hague

The head of the Dutch central bank, Mr Wim Duisenberg, yesterday denounced plans by the country's government to cut taxes next year rather than reduce the budget deficit further.

Presenting the bank's annual report for the last time in his 16-year term before becoming head of the European Monetary Institute, Mr Duisenberg said: "Such an approach would fail to do justice to the very sources of our success."

The Dutch economy had done well, he noted, with gross domestic product growing last year by 2.8 per cent and the Maastricht criteria for economic and monetary union within its grasp. But the government's plans, announced last weekend, were "a cause for concern".

However, Mr Wim Kok, the country's social democrat prime minister, insisted the economic success was based not just on lowering the deficit to 2.2 per cent of GDP last year, compared with an Emu ceiling of 3 per cent, it was part of a wider policy mix which included economic stimuli where justified. "We have to look at all our goals," he told an international media audience in The Hague.

The policy clash between prime minister and central bank chief provides a foretaste of tensions which may place member governments in Europe's planned single currency zone at loggerheads with the Frankfurt-based monetarists overseeing its introduction.

Mr Kok's three-party government faces a general election in little over a year, and is anxious to reward the country's workforce after years of wage moderation. The cabinet's budget outlines for 1998 contain a mixture of tax cuts and higher spending on health and education. Together, these would inject some Fl 2.3bn ($1.2bn) into the economy, equivalent to some 0.35 per cent of last year's GDP.

Cabinet projections indicate that government debt – the only measure on which the Netherlands breaches Emu strictures – would nonetheless continue to decline from 78 per cent of GDP last year towards the 60 per cent target, helped by sales of state assets. And analysts were sanguine about the effects of an expansionary budget.

"We don't really need any increase in spending at this moment. But, on the other hand, there has until now been hardly any improvement in purchasing power for the man in the street," said Mr Fred Pallada, chief economist of ING.

But Mr Duisenberg warned: "The margins in next year's budget are slim. Even minor setbacks could easily cause expenditure to come up against the agreed ceilings, raising the spectre of laborious negotiations on cutbacks." In another year expected to show buoyant economic growth, the tax cuts would mean the deficit would plateau. "That would be at odds with the agreement within Europe to aim at a budget close to balance in the medium term."


Duisenberg: government plans a 'cause for concern' Reuter

Emu elbows all other issues aside

Chirac's decision to call an early election underlines how monetary union has become the overriding concern of Europe's politicians, writes Lionel Barber

President Jacques Chirac's decision to call a snap general election is a bold gamble underlining how economic and monetary union has become the overriding issue in European politics.

In Britain, Mr John Major's Conservative party is tearing itself apart over Emu. In Germany, Chancellor Helmut Kohl has chosen to stand for an unprecedented fifth term in office next year, largely on a single currency ticket.

In Italy and Spain, prime ministers of coalition governments of the centre-left and centre-right have declared will stand down if their countries fail to become founder members of the euro bloc. Now Mr Chirac has joined what one central banker yesterday described as the "sect-like" approach to monetary union.

In the short term, his election manoeuvre could disrupt the planned conclusion of the Maastricht treaty review conference at an EU summit in June, particularly if French negotiators harden their stand. But the real game is monetary union.

Senior European Commission officials said Mr Chirac's election move reflected his commitment to Emu, but one with considerable risks. In effect, the elections could turn into a referendum on Emu just as in the 1992 referendum when the same fickle French voters almost voted down the Maastricht treaty.

Public opinion is perhaps the greatest worry for the pro-Emu lobby. A wide gap exists between the political elites who support monetary union as a political project binding Germany into a united Europe, and ordinary citizens who associate it with Maastricht-style deflation and high unemployment. In Germany alone, around 80 per cent of the public are either sceptical or hostile to exchanging the D-Mark for the euro.

This week, Mr Jacques Santer, president of the European Commission, denounced the Eurosceptics as "merchants of doom". Undoubtedly, he had the jingoistic wing of the British Conservative party in his sights; but aides said he was also targeting German politicians such as Mr Gerhard Schröder, the Social Democrat prime minister of Lower Saxony, who has called for a delay in the Emu timetable.

Public opinion is perhaps the greatest concern for the pro-Emu lobby

An early poll offers Mr Chirac the chance to clear the decks before a fresh round of public spending cuts needed for France to meet the Maastricht public deficit criterion of 3 per cent of gross domestic product. If he had waited until next March he risked voters turning out in an even surlier mood, only a few weeks before EU leaders are due to decide who joins the euro club.

The unfortunate juxtaposition of the French elections and the Emu membership decision has been known for months. In autumn 1995, the French government pressed the Germans to bring forward the choice of single currency members by a few months, only to be rebuffed.

Both the Bundesbank and the German finance ministry insisted that EU leaders decide which countries qualify for Emu on the basis of reliable data for 1997, not forecasts. Today, Germany appears committed to meeting the 3 per cent target in 1997 without fudge in order to guarantee a safe launch for the euro built around hard currencies.

The German message is aimed at Italy where the government is making heroic efforts to cut the deficit, albeit largely through one-off measures which do not look sustainable; but it is also aimed at France whose commitment to austerity has always been tempered by fear of the adverse reaction of the man in the street.

From Brussels' point of view, Mr Chirac's gambit will have paid off if he secures a safe majority for his centre-right coalition which would free his hands next year. "We would have a serene climate in which to take all the big decisions on Emu," said one official.

But even if Mr Chirac were to lose his majority, it would not necessarily be the devastating blow to Emu which some imagine.

One scenario circulating yesterday suggested that a future Socialist government could call on Mr Jacques Delors, former president of the European Commission, as a new European "super-minister" who would arrange a new deal on Emu. Mr Delors – whose relations with President Chirac are said to be excellent – would call for an orderly delay in monetary union of, say, two years, something the current cast of Messrs Kohl, Santer and Chirac have dismissed as politically impossible.

A delay would ease the pressure cooker atmosphere in Europe of frenetic budget cutting which is depressing growth; and it would allow Italy and other laggards to join Emu along with France and Germany, still in time for the circulation of euro notes and coins in 2002.

The irony of Mr Delors rewriting an Emu script he co-authored with Mr Kohl and President François Mitterrand at the time of the Maastricht treaty would be considerable – though entirely in tune with the topsy-turvy world of French politics.

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Jobs cloud German growth outlook

By Peter Norman in Bonn

Germany's six leading economic research institutes yesterday forecast a gradual pick-up in economic growth this year and next, but with only a hesitant and minor decline in unemployment.

"It is a forecast with light and shade," said Mr Willi Leibfritz of the Munich-based Ifo institute. In their traditional spring report, the institutes forecast that strong real export growth of 7 per cent this year and 6.5 per cent in 1998, and a steady revival of business investment, will help the economy to grow by 2.25 per cent this year and 2.75 per cent in 1998 after just 1.4 per cent in 1996.

But unemployment this year is expected to rise by 320,000 compared with 1996 to an average of 4.3m or 11.2 per cent of the labour force. For next year, the institutes – from Munich, Berlin, Hamburg, Kiel, Halle and Essen – forecast a 125,000 drop in jobless to 4.15m.

German institutes' forecast: main points

		1996	1997	1998
GDP (annual % change)		1.4	2.3	2.8
of which:	Western Germany	1.3	2.3	2.8
	Eastern Germany	2.0	2.0	2.5
Unemployment (total in '000s)		3,965	4,280	4,160
of which:	Western Germany	2,796	3,000	2,875
	Eastern Germany	1,169	1,280	1,285
Unemployment rate (in %)		10.3	11.2	10.9
of which:	Western Germany	9.0	9.7	9.3
	Eastern Germany	15.7	17.2	17.3
Consumer prices (annual % change)		1.5	1.5	1.8
of which:	Western Germany	1.4	1.5	1.8
	Eastern Germany	2.2	1.8	1.8
Unit wage costs (annual % change)		-0.3	-1.0	-0.5
of which:	Western Germany	-0.4	-1.0	-0.5
	Eastern Germany	0.0	-1.0	0.0
Government deficit (DMbn)		134.0	116.0	108.5
in % of GDP (as per Maastricht)		-3.8	-3.2	-2.9
Current account balance (DMbn)		-21.5	-3.0	8.0

Source: Joint Report of Six Economic Institutes (DIW, Berlin; HWWA, Hamburg; Ifo, Munich; IfW, Kiel; IWH, Halle; RWI, Essen).

The institutes express concern about the eastern German economy. The process of catching up with the west has come to a halt, they say, reflecting insufficient competitiveness among local companies and an excessively large construction sector that is now having to contract.

The report warns that east German unit labour costs are too high as a result of the rapid growth of wages towards western levels, and that the state will be unable to compensate for this over the long term through subsidies. The forecast recovery in investment and faster economic growth will not be strong enough to solve the problems of unemployment and inadequate dynamism in the new Länder (states).

For Germany as a whole, a gradual quickening of real investment growth to 2.5 per cent next year from 1.5 per cent this year could mark the beginning of an extended period of economic expansion and falling unemployment. However, this would require continued wage restraint and a fiscal policy aiming at steady budgetary consolidation with the aim of encouraging growth and new jobs.

The institutes have assumed that government plans to reform the corporation and income tax systems through sharp cuts in top tax rates and a reduction of tax privileges will take effect. Although their report is unconvinced that the reform will have a strong direct impact on investment, it sees benefits through boosting individual incentives to work and fewer distortions in the allocation of resources.

The German cabinet yesterday agreed the final form of the draft bill to lower income taxes from January 1999. Mr Theo Waigel, the finance minister, said the bill, which aims for tax rates of between 15 per cent and 39 per cent against 25.9 per cent to 53 per cent at present, would be given its first reading in the Bundestag (lower house of parliament) on Friday when it would also be presented to the Bundesrat, the upper chamber representing the states which is controlled by the opposition Social Democratic party (SPD).

Today, the government will have further talks with the SPD in the hope of resolving differences over tax reform.

EUROPEAN NEWS DIGEST

Swiss banks lose $29bn

Swiss banks have lost SFr42.2bn ($29.1bn) on domestic loans over the last six years. The figures, released by Switzerland's Federal Banking Commission, are the worst in the country's history and are a result of nearly seven years of economic stagnation, the collapse of the Swiss property market and generally imprudent lending practices.

Nearly three-quarters of the losses, or SFr32.1bn, was accounted for by the big Swiss banks. The cantonal banks lost SFr10.5bn, the regional banks lost SFr1.4bn, and the rest was accounted for by the rural *raiffeisen* banks. The commission's survey shows that the big three banks had the worst loan portfolios. Their losses accounted for 12.55 per cent of their average domestic loan portfolio over the last five years.

Cantonal banks lost 5.6 per cent of their loan portfolio and the percentages for the regional banks and *raiffeisen* were 3.95 per cent and 0.67 per cent respectively. Mr Daniel Zuberbühler, director of the banking commission, said that given the scale of the losses, a good case could be made for raising minimum capital ratios from 8 per cent to 10 per cent. However, this could only be done with international co-operation and this seemed unlikely in the short term. *William Hall, Zurich*

Belgian labour reforms urged

Belgium will probably qualify for European economic and monetary union but remains blighted by an inefficient labour market that should be reformed, the Organisation for Economic Co-operation and Development said yesterday.

The OECD forecast that Belgium's government would meet the 3 per cent Emu deficit criterion in 1997, suggesting it would fall to 2.9 per cent from 3.2 per cent in 1996 and reach 2.7 per cent in 1998. GDP growth should rise to 2.2 per cent in 1997 from 1.3 per cent in 1996 and reach 2.6 per cent in 1998.

However, Belgium's unemployment record and regulations in some key sectors of the economy were a point of concern. The OECD recommended a series of policy changes. Belgium also needed to introduce more competition into sectors such as distribution and electricity. *Reuter, Brussels*

Road tax angers carmakers

Carmakers and importers in Romania have reacted furiously to plans for a road tax on motorists, arguing that this will severely damage the troubled motor industry.

The transport ministry announced yesterday that depending on their size, vehicles will be taxed between 50,000 lei ($7.25) and 1.4 million lei ($203) a year. The estimated 2,500bn lei raised by the new tax will pay for repairs to Romania's decrepit roads. Foreign investors and advisers say this is essential for economic development.

The new tax comes on top of a ten per cent tax on new cars introduced last year. Among the manufacturers who say that the new tax will hurt their sales is Daewoo, Romania's largest foreign investor and owner of a large plant in Craiova. Earlier this month, poor sales led Daewoo to send thousands of its Craiova workers on compulsory holidays. However, Romania is expected to receive good news today from the IMF board in Washington which is expected to approve loans of $400m to Romania. *Anatol Lieven, Budapest*

EBRD in confectionery deal

The European Bank for Reconstruction and Development yesterday closed a $10m deal with Svitoch, Ukraine's largest confectionery maker. It gives the EBRD a $2m equity holding in one of Ukraine's best-known private companies and provides the company in Lviv with $8m in debt finance for modernisation and marketing.

The deal is the first the EBRD has successfully closed in the private sector in Ukraine since 1995, reflecting the weak state of the economy and an investment climate poor even by east European standards. Confectionery companies have survived the economic downturn and competition from western imports because of their low cost and strong brand loyalty. *Matthew Kaminski, Kiev*

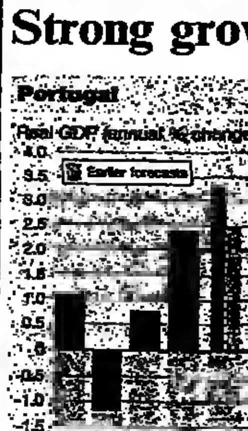
Poland seeks sale advice

The Polish government is to open a tender for a privatisation adviser for the sale of LOT, its debt-laden national airline. LOT reported a 45m zloty ($14m) loss last year, even though it carried 2m passengers, a 10 per cent rise on the year before. The government also decided to ask for a report on the airline's finances.

LOT has just received US Eximbank guarantees for a $250m loan from the local Pekao bank and Chase Manhattan for the purchase of five Boeing medium and long-rangeB737 aircraft. *Christopher Bobinski, Warsaw*

ECONOMIC WATCH

Strong growth in Portugal



Portugal's central bank yesterday forecast strong economic growth in 1997 against a background of falling inflation and a stable currency. The bank said gross domestic product would grow by 8 per cent to 3.75 per cent this year, higher than earlier government forecasts. The bank also revised its estimate of GDP growth in 1996 upwards to 3.3 per cent, following a surge in export demand and in domestic investment in the second half of the year.

Investment would continue to drive growth to 1997, increasing by 5.5 per cent to 7.5 per cent, compared with 6.1 per cent last year, the bank said. Inflation is forecast to fall to 2.25 per cent in 1997 from 2.9 per cent last year. This would ensure Portugal met the inflation criteria for economic and monetary union, the bank said. *Peter Wise, Lisbon.*

Farm commissioner warns of huge food mountains

By Caroline Southey in Luxembourg

The European Union will produce mountains of surplus foodin the next decade unless it reforms its farm policies radically and quickly, Mr Franz Fischler, European Agriculture Commissioner warned yesterday.

The threat of massive overproduction emerged in a report by farm experts in Brussels to EU farm ministers yesterday. The document provides Mr Fischler with a powerful case for reform and will bring urgency to the debate about the future of the Common Agricultural Policy, which takes up half the EU's budget.

The report forecasts a cereal mountain of 58m tonnes, including 45m tonnes of wheat by 2005, against the 2.7m held this year. In addition, surplus beef stocks are expected to rise from the 18,000 tonnes recorded last year before the beef crisis broke to 11.5m tonnes in 2005.

Mr Fischler said the surpluses could not be avoided under the present farm policy. In addition the EU would not be able to export surplus stocks because world trade rules limit the export of subsidised farm products.

"Even if we use existing tools to curb production to the full, it will not allow us to stop substantial stocks growing. We have no right to allow this to happen," Mr Fischler said.

He said his aim was to influence reforms planned for the beef and cereal sectors by 1999. These proposals are due to be tabled after the inter-governmental conference in June. They will form part of Commission plans for the next decade. These also include a "route map" for enlargement of the Union and revamped budget guidelines.

Mr Fischler said the problem of surpluses could be resolved either "by increasing production restrictions" such as taking land out of production through the set-aside scheme, or "by reducing market restrictions" such as the price support system which keeps EU food prices artificially high.

He said that in the case of beef and cereals "we have to move in the direction of ending some market restrictions."

The most radical measure could involve the way the EU manages the market to underpin prices. Under this system the EU sets internal support prices which are above world market levels. In addition, it pays traders export refunds to compensate for the difference between the EU price and the world price.

Mr Fischler said it was necessary for the EU to begin exporting without refunds. "This could only be done if EU prices were brought down towards world market levels, which in some cases could mean a cut of 15 per cent. This would enable the EU to avoid the constraints of world trade rules, an EU official said.

But the official said export markets might not be able to soak up surplus stocks and that measures to curb production would also be needed. These could include cutting some aid payments, such as those to beef producers involved in intensive farming, as well as diverting funds away from farming to other rural activities such as tourism.